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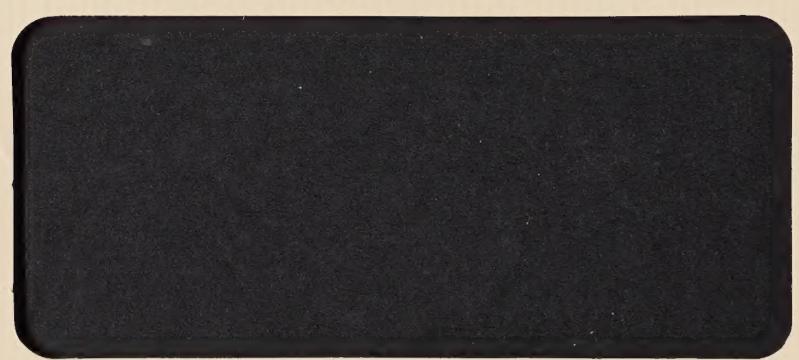
Organizational Alternatives for
The Delivery of Water Service
in the
Costa Mesa Area

Final Report

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ORGANIZATIONAL ALTERNATIVES FOR
THE DELIVERY OF WATER SERVICE
IN THE
COSTA MESA AREA

Final Report

Costa Mesa co. water
district
public utility
Local govt

water
Costa Mesa
area
" " "

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Chapter I

COSTA MESA COUNTY WATER DISTRICT

- A FACTUAL PROFILE -

This chapter presents a factual profile of the Costa Mesa County Water District including:

- . An overview of water service in the Costa Mesa area.
- . An analysis of organization and staffing patterns.
- . An analysis of administrative support activities such as financial, personnel, and engineering services.
- . A fiscal analysis.

Water Service In Costa Mesa

Water Service Has Been Provided by the Costa Mesa Water District Since 1960

The provision of water service to the City of Costa Mesa and its surrounding area has been of interest to residents and elected officials for a period of time. Prior to the creation of the Costa Mesa County Water District, water service was provided by four separate agencies including the Fairview County Water District, the Newport Heights Irrigation District, the City of Costa Mesa Water Department, and the Newport Mesa County Water District.

In the late 1950's it became clear to local residents that the existence of four separate agencies was resulting in an expensive and wasteful duplication of water systems and inefficient administration. The solution selected by the community was the merger of the four agencies into the Costa Mesa County Water District. The merger was accomplished by a special act of the State Legislature in 1960 with the enactment of the Costa Mesa District Merger Law.

The District's Legal Framework is Contained Within the County Water District Law

While the creation of the District was accomplished under the Costa Mesa District Merger Law, the District's legal framework is contained within the County Water District Law. The Costa Mesa District Merger Law provides that:

Except as in this part expressly provided, the new Costa Mesa County Water District shall be in all respects operated, managed and governed, its directors and officers shall be elected or appointed, and its revenue shall be raised and expended, as provided by law for county water districts generally.

The County Water District Law sets forth, among other things, the purposes, powers and governing board of a county water district:

. Purpose

The principal purpose of a county water district is to furnish water for any beneficial use. In addition, it may:

- Acquire, appropriate, control, conserve, store and supply water, including drainage and flood control water.
- Drain and reclaim lands, generate and sell at wholesale incidental hydroelectric power.
- Use any land or water under district control for recreation purposes.
- Acquire, construct, and operate sewer, fire protection, and sanitation facilities.

Of the above, the only service provided by the Costa Mesa County Water District is the provision of water.

. Powers

The District possesses all those powers necessary to plan, construct, and operate and maintain water facilities. More specifically, the District may:

- Sue and be sued.
- Own and acquire property.
- Exercise the right of eminent domain.
- Construct, operate and maintain water facilities.
- Incur indebtedness, including the issuance of bonds.
- Raise revenue through:
 - .. Charges and fees
 - .. Property taxes
 - .. Investments
 - .. Sale and lease of property
 - .. Sale and lease of oil and mineral rights

- Governing Board

The legislative and policy making responsibilities of the District are placed with a five member Board of Directors elected by division for overlapping four year terms.

- Changes of Organization

The Costa Mesa District Merger Law makes no provision for changes of organization such as mergers, consolidations, dissolutions and the like. The County Water District Law provisions regarding changes of organization were repealed in 1965 when the District Reorganization Act was adopted by the State Legislature. As a result, all changes of organization are currently governed by the provisions of the DRA. A detailed discussion of the DRA is presented later in this report.

The Demographic Characteristics of the District's Service Area Have Changed Since 1960

The District serves an area including most of Costa Mesa, part of Newport Beach, and portions of the unincorporated area of Orange County, including all of the Orange County Airport. The service area consists of 10,322 acres of which Costa Mesa represents 9,072 acres, or 88%. Between 1961 and the present, the District's population, number of water services, and assessed value have changed substantially.

- Population

The population of the District in 1961 was approximately 37,000. By 1976, the population of the District had increased, according to District staff, to about 85,000. Of the 85,000, the City of Costa Mesa represents 77,500, or 91%.

- Assessed Value

The assessed value of the District in 1960-61 was \$49,234,000. In 1975-76 the assessed value had increased to \$284,490,950.

- Water Services

The number of water services in 1961 was 11,530. In 1976 the number of services had increased to 18,284. The District's records do not reflect what percentage of these services are in the City of Costa Mesa.

The District Relies Principally on Imported Water for its Supply

The District delivers in excess of 6 billion gallons of water annually to its customers. This water comes from four sources. The most important source is the District's direct connection with the Orange County Metropolitan Water District which provides water from the Colorado River and the State Water Project. The District's other sources include:

- . Four wells with an ultimate capacity of 21,000 acre feet per year.
- . Ten emergency connections with neighboring communities for temporary water supply
- . 600 acre feet or about 200 million gallons of leased water storage capacity in the San Joaquin Reservoir.

The Delivery of Water Service Requires Cooperation Between the District and Other Governmental Jurisdictions

The delivery of water service requires close cooperation between the District and numerous governmental agencies at the state, regional, and local level.

. State

The State Departments of Health and Water Resources, as well as the Water Resources Control Board, exercise regulatory authority over the District.

. Regional

At the regional level, the Regional Water Quality Control Board exercises regulatory authority over the District's water quality. However, because the District does not treat water, its relationship with the Regional Board is limited.

. Orange County Health Department

The Orange County Health Department has principal responsibility for monitoring the District's water testing program to insure that the water supply meets certain health standards.

. Other Water Agencies

The District has numerous relationships with various agencies that are in some way involved in the delivery of water to the Costa Mesa area. The most important of these include:

- Orange County Metropolitan Water District
- Orange County Water District

- Cities of Santa Ana, Huntington Beach, and Newport Beach
- Irvine Ranch Water District
- Coastal Municipal Water District
- Santa Ana Heights Mutual Water District

. City of Costa Mesa

Because the provision of water service is essential to the overall physical development of the City, close cooperation is required between the City and the District, especially with respect to physical development and fire protection.

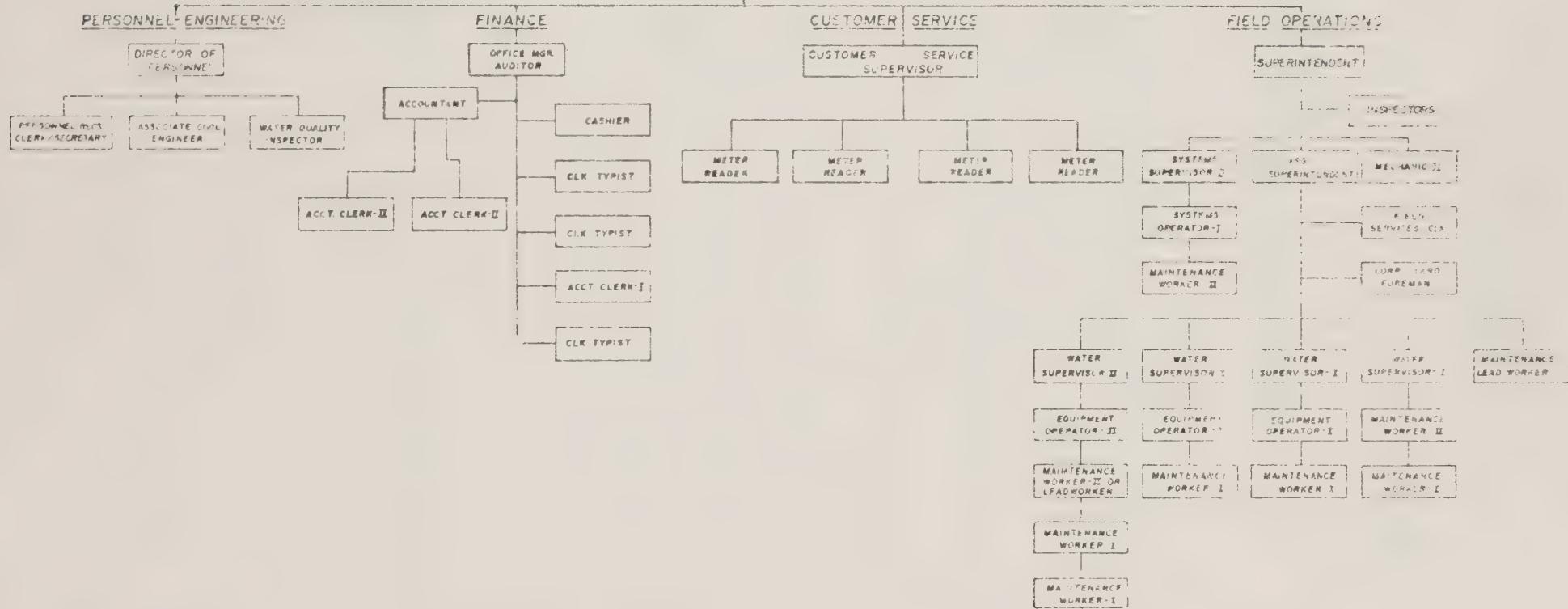
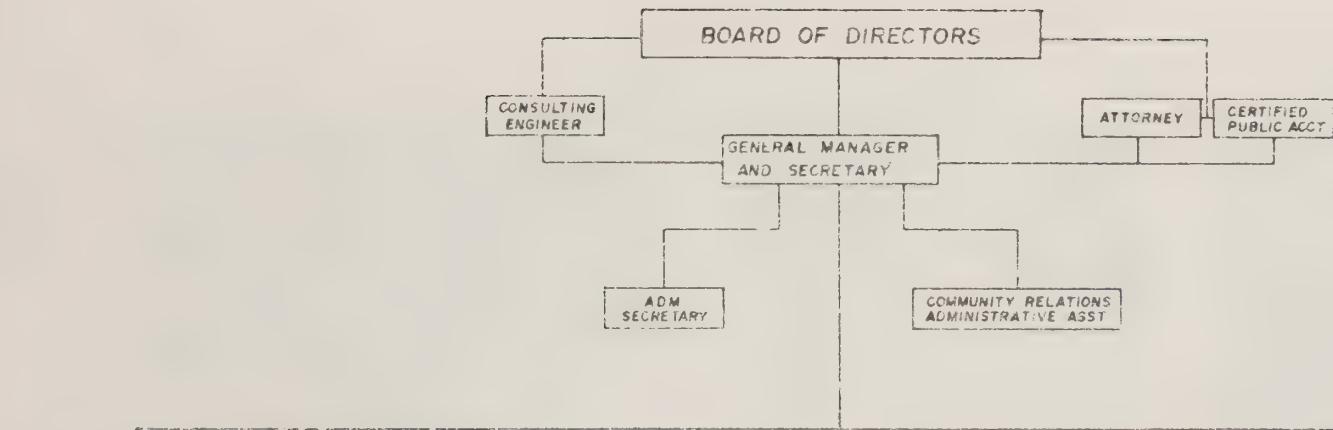
Organization and Staffing

The District is currently authorized 46 full-time positions and has a budget of \$4,057,339. The operations portion of the budget is \$3,042,112, and \$1,015,227 is allocated for capital improvements. The District is organized into four departments; Personnel/Engineering, Finance, Customer Service, and Field Operations. In addition, the Board has retained outside assistance to perform engineering, legal, and some financial services. The chart on page 6 describes the present organization, and the table of organization on page 7 lists the District's authorized positions by department.

The General Manager is Directly Responsible to the Board of Directors for the Management of the District

The General Manager is the District's chief appointed executive and is responsible for its day-to-day operations. In this capacity he supervises the activities of the District through four department heads. Specifically, his duties include the following:

- . Serves as Secretary to the Board.
- . Advises and makes recommendations to the Board concerning District policy and operations.
- . Implements District policy.
- . Prepares and administers the annual budget.
- . Consults with the District's engineer, accountant, and legal counsel regarding specific problems.
- . Personnel activities.



COSTA MESA COUNTY WATER DISTRICT

COSTA MESA COUNTY WATER DISTRICT

Table of OrganizationFiscal Year 1976-77

<u>Department and Position Title</u>	<u>Number of Positions</u>
<u>General Administration</u>	
General Manager and Secretary	1
Administrative Secretary	1
Community Relations Officer/Administrative Assistant	1
	<u>3</u>
<u>Personnel/Engineering</u>	
Director of Personnel	1
Personnel Records Clerk/Secretary	1
Associate Civil Engineer	1
Water Quality Inspector	1
	<u>4</u>
<u>Customer Service</u>	
Customer Service Supervisor	1
Meter Reader	4
	<u>5</u>
<u>Finance</u>	
Office Manager/Auditor	1
Accountant	1
Accounting Clerk II	2
Accounting Clerk I	1
Service Clerk/Clerk Typist	3
Cashier	1
	<u>9</u>
<u>Field Operations</u>	
Superintendent	1
Construction Inspectors	2
Mechanic II	1
System Supervisor	1
System Operator	1
Assistant Superintendent	1
Field Services Clerk	1
Corporation Yard Foreman	1
Water Supervisor II	1
Water Supervisor I	3
Maintenance Leadworker	1
Equipment Operator	3
Maintenance Worker II	3
Maintenance Worker I	5
	<u>25</u>
Total	46

- Coordinates District activities with various state, regional, and local agencies.
- Supervises the operations of the District through his department heads.

The General Manager's immediate staff consists of an Administrative Secretary and a Community Relations Officer/Administrative Assistant.

- Administrative Secretary

This position is responsible for providing secretarial assistance to the District Board, General Manager, and other District staff.

- Community Relations Officer/Administrative Assistant

The principal responsibility of this position is the provision of information to the community concerning the role of the Water District in bringing water to its customers. These activities require about 95% of the Community Relations Officer's time. In addition, this position is expected to perform other administrative and staff functions including the preparation of special reports and assisting in the preparation of the annual budget.

The Personnel Director is Responsible for all Personnel Related Activities and Some Engineering Activities

The Personnel/Engineering Department is under the direct supervision of the District's Personnel Director. Broadly, his duties include responsibility for all personnel activities including selection, training, disciplinary actions, equal employment, classification, compensation, and safety. Negotiations with the Employee Association are conducted by an outside consultant with technical assistance from the Personnel Director. In addition, the Personnel Director supervises certain technical engineering and plumbing inspection activities, and performs various administrative staff functions. Of these activities, personnel requires 35% of his time, engineering 20%, and administrative 45%. The Department staff includes three full-time positions in addition to the Personnel Director, as follow:

- Personnel Records Clerk/Secretary

This position is responsible for a range of complex clerical duties related to personnel and engineering activities. In addition, this position is expected to fill in for other office employees as required. Of these activities, personnel requires about 33% of the position's time.

- Associate Civil Engineer

This position is responsible for various subprofessional engineering tasks, including:

- Preparation of the water distribution system maps and atlas sheets.

- Design of main line replacement.
- Performance of engineering and drafting tasks in the preparation and design of various projects.
- Review of tract maps.
- Preparation of work orders, collection of monies, and sending permits to City, County and State.
- Preparation of estimates and collection of bids for various District projects.
- Coordination with the fire departments of the Cities of Costa Mesa and Newport Beach, and Orange County on installation of fire hydrants, their locations and size, as well as the conduct of pressure checks in the system where required and maintenance of a working card index on all fire hydrants and gate valves operated and repaired in the system.

. Water Quality Inspector

This position is responsible for insuring that all business and industrial plumbing connections to the District's distribution lines do not create a water pollution or contamination hazard. Specifically, the Water Quality Inspector's duties include:

- Survey and inspection of business and industrial plumbing systems.
- Review of industrial and business facility construction plans to determine if adequate protective plumbing measures are provided.
- Coordination of the water sampling program with the County Health Department.

The Finance Department is Responsible for All Accounting and Customer Billing Activities

The Finance Department has responsibility for all accounting, customer billing, and cashiering activities. The department is organized into an Accounting Division with 3 employees and Customer Billing Division with 6 employees, including the Office Manager/Auditor. The activities of the department are performed under the direction of an Office Manager/Auditor whose duties include:

- . Responsibility for accounting and the billing and collection of water utility service charges.
- . Coordination of financial management activities with the General Manager and department heads.
- . Responsibility for cash management and investments.

- Supervision of the Finance Department staff.
- Participation in the preparation of the budget.
- Supervision and participation in the preparation of financial reports.
- Act as Secretary to the District Board in the General Manager's absence.

As indicated previously, the Department is organized into an Accounting Division and Customer Billing Division.

- Accounting

The Accounting Division is responsible for payroll, accounts payable, accounts receivable, the general ledger, and maintenance of the fixed asset records. These responsibilities are performed by an Accountant and 2 Account Clerks II. For practical purposes, the 3 positions work as a team to perform all the accounting-related tasks. The accountant provides supervision and direction to the Account Clerks.

- Customer Billing

The Customer Billing Division is under the direct supervision of the Office Manager/Auditor and is responsible for all water service account billing and collection. These responsibilities are performed by 1 Cashier, 3 Typist Clerk/Service Clerks, and 1 part-time Account Clerk. Broadly, the 5 positions work as a team in the issuance and collection of water charges. To the maximum extent possible, each of the employees has been trained in all aspects of the customer billing activities.

The Customer Service Department is Responsible for Meter Reading, Replacement, and Repair and Resolving Customer Complaints

The Customer Service Department has responsibility for meter reading, re-reads, customer complaints, meter repair and replacement, connections and disconnections of water services and collecting on delinquent accounts. The activities of this Department are closely related to those of the Customer Billing Section in the Finance Department. The Department is staffed by a Customer Service Supervisor and 4 Meter Readers.

Field Operations Personnel are Responsible for the Construction, Operation, Maintenance, and Repair of the District's Water Distribution System

The objective of Field Operations is to deliver water to the District's customers with a minimum of interruption. This objective is accomplished through the operation, maintenance and repair of wells, mainlines, valves, hydrants, and services. In addition, Field Operations is responsible for the District's main line replacement program and for providing a number of administrative support services to the District including vehicle maintenance, warehousing, communications, and general maintenance. All these activities are performed

by a group of 25 employees. The following describes each of the department's divisions in terms of its responsibilities and staffing:

- Superintendent is Responsible for All Field Operations Activities

The Superintendent is directly responsible to the General Manager for field operations activities. This responsibility is carried out through a System Supervisor and Assistant Superintendent who directly supervise the daily activities of the field crews. In addition, the Superintendent's immediate staff includes 2 Construction Inspectors and a Mechanic II. The responsibilities of the Superintendent and his immediate staff are as follow:

- Superintendent

Broadly stated, the Superintendent's responsibilities involve the planning, scheduling, assigning, and directing several field supervisors in charge of crews engaged in the construction, repair, maintenance, and operation of the water distribution system. In addition, he has direct responsibility for construction inspection and equipment maintenance.

- Construction Inspectors

The duties of the 2 Construction Inspectors include:

- .. Inspection of water works construction projects, insuring compliance with specifications and regulations relating to workmanship and materials.
- .. Inspection and testing of construction materials, lines, valves, fire hydrants, connections, joints and tie-ins.

- Mechanic II

This position is responsible for the maintenance and repair of the District's light and heavy duty automotive and related equipment.

- The Regulation and Control of Water Pressure and Flow is the Responsibility of the System Supervisor and His Crew

The System Supervisor is responsible for the regulation and control of water pressure and flow in the distribution system

and in servicing and maintaining control facilities such as wells, pressure reducing station, reservoir connection, and telemetering equipment. The System Supervisor's crew consists of a System Operator I and a Maintenance Worker II. For practical purposes, the crew works as a team and performs the following duties.

- Insures the proper functioning of water pressure and relief valves at various points in the distribution system.
- Oversees and maintains telemetering equipment and water wells and reservoirs.
- Greases, oils, and makes adjustments and minor repairs to mechanical equipment.
- Participates in the maintenance, repair and replacement of major control facilities.
- Assists in the installation of large valves and related pressure control equipment.
- Reads main line meters, maintains records and prepares reports.

. The Assistant Superintendent Directly Supervises the Field Crews Involved in the Construction, Maintenance, Operation and Repair of the Water Distribution System

The Assistant Superintendent is directly responsible to the Superintendent for the day-to-day activities involved in the construction, maintenance, operation and repair of the water distribution system. The Assistant Superintendent accomplishes this responsibility through four Water Supervisors and their assigned crews. Of the four crews, three are involved in valve turning and splitting, hydrant repair and relocation, installation of water services, installation of fire lines, and street patching. The remaining crew is responsible for the repair of major leaks and main line replacement. It is understood, however, that the crews provide each other with back-up support where required. For example, if there is a major main line replacement project or leak, as many of the four crews are assigned to the job as are necessary. The field crews include 14 positions, as follow:

<u>Position Title</u>	<u>Number of Positions</u>
Water Supervisor II	1
Water Supervisor I	3
Equipment Operator	3
Maintenance Worker II	2
Maintenance Worker I	5

In addition, three other positions report directly to the Assistant Superintendent. Their position titles and responsibilities are indicated below:

- Field Services Clerk

This position is responsible for processing purchase orders, dispatching, record keeping, and various clerical tasks.

- Corporation Yard Foreman

This position is responsible for the receipt and issuance of materials and equipment from the warehouse and corporation yard, inventory control, and providing assistance in the requisition of materials and supplies.

- Maintenance Leadworker

The duties of this position include the setting of hydrant meters, locating utilities, and answering calls on suspected leaks.

Administrative Support Activities

The following summarizes the way in which the District performs the administrative support activities essential to the delivery of water service.

Personnel Services Are the Responsibility of the Personnel Director

The Personnel Director has direct responsibility for all personnel matters including selection, processing disciplinary actions and terminations, classification, compensation, fair employment, and training. Negotiations with the District's employees are the principal responsibility of an outside consultant with technical advice and assistance provided by the Personnel Director.

Financial Services are Provided by the Finance Department With the Assistance of an Outside Certified Public Accountant

The District's financial services are provided by the Finance Department with supplemental assistance from an outside Certified Public Accountant. The responsibilities of each are as follow:

. Certified Public Accountant

- Prepares the annual audit.
- Conducts periodic checks of accounting records and procedures.

- Provides financial advice to the District Board and staff.
- Provides advice regarding the retirement plan.

- . Finance Department

- Preparation, processing and posting of payroll and accounts payable.
- Revenue administration.
- Cost accounting.
- Maintenance of accounting records.
- Preparation of various financial reports.

The Majority of District Customers Are Billed Bi-Monthly

The District bills all of its 18,000 plus water customers on a bi-monthly basis, except certain major users who are billed monthly. The billing process is designed so that an equal number of accounts is billed daily throughout a two month billing cycle. The billing is performed manually and involves the following tasks:

- . Meter Readers read the meters and enter the amount of water consumed in the meter book.
- . Office Staff:
 - Checks the meter books for accuracy and computes the amount of water consumed.
 - Prepares the customer bills and enters the amount of the bills on the customer cards.
 - When payments are received by mail, the Cashier batches the bills by meter book, calculates the total amount received, and makes one revenue entry per meter book.
 - The Service Clerks then audit the batches prepared by the Cashier and posts the customer cards.
 - If payment is not received after 30 days, a delinquent notice is sent to the customer. If payment is still not forthcoming, a Meter Reader is instructed to turn off the water.

The Responsibility for Purchasing Has Been Delegated Throughout the District

The purchase of District supplies, materials, and equipment is the principal responsibility of the General Manager and is accomplished through various members of the District staff.

- . Office supplies are purchased by the General Manager's Administrative Secretary.
- . Major items such as valves and pipe are purchased annually on a bid basis awarded by the District Board.
- . The purchase of various small items, such as tools and materials, is the responsibility of the Superintendent.
- . The District's Consulting Engineer and Superintendent prepare the specifications for the purchase of major pieces of equipment.

Equipment Maintenance Activities are Performed by District Employees

The District performs all routine maintenance, tune-ups, and major overhauls of its vehicles and other motorized equipment including diesel powered equipment. The only tasks not performed are the repair of automatic transmissions.

Professional Engineering Services are Provided by a Consulting Engineer

The District Board has contracted with a consulting engineer to provide various engineering services. These services are provided on a time and charges basis and include:

- . Attendance at regular or special meetings of the Board.
- . Preparation of property descriptions and maps of District annexations.
- . Provision of design and field engineering for District water system improvements.
- . Performance of other engineering services as requested.

The above services are augmented by the District's Associate Civil Engineer who performs various subprofessional engineering tasks, including:

- . Preparation of maps and atlas sheets.
- . Performance of various drafting tasks in the preparation and design of various items.
- . Design of main line replacements.

- . Review and check of tract maps.
- . Processing of permits.
- . Review of easements.
- . Maintenance of fire hydrant records and working with various fire departments regarding the installation, location and size, and testing of fire hydrants.

Legal Assistance is Provided by a Private Law Firm

As with engineering services, the Board has retained the services of a private law firm to perform a range of legal services including the attendance at Board meetings, answering questions of the Board and staff, representing the District in various legal matters, and preparation of required legal documents. Services are provided on a time and charges basis.

The District Does Not Currently Utilize Data Processing

The District currently does not use data processing applications in the conduct of its business. It does, however, use an NCR 395 Billing Machine to assist with the processing of accounts payable, payroll, and cost accounting.

The District Operates Its Own Communications Equipment

The District operates its own radio equipment from the corporation yard facilities. The equipment is used to contact District employees who are in the field. The City of Costa Mesa maintains the District's radio equipment under contract. Outside of normal business hours, the City receives emergency calls for District water service, monitors the telemetering equipment, and contacts District staff as appropriate.

District Finance

The following sections analyze the overall fiscal condition of the District, including:

- . A review of cash reserves and outstanding debt.
- . An analysis of revenue and expenditures.

The District Has A Substantial Cash Reserve

The District began fiscal year 1976-77 with a cash reserve in excess of \$700,000, which is equal to approximately 23% of one year's operating costs.

The District Currently Has \$1.85 Million in Outstanding Debt

The District sold \$2,595,000 worth of revenue bonds in 1962. The outstanding principal is \$1,850,000 plus \$747,804 in interest. The last payment is due in July, 1992.

In addition, the District was required to assume responsibility for the outstanding general obligation bond debts of the Newport Mesa County Water District and the Fairview County Water District when the Costa Mesa County Water District was formed. Both debts have been fully funded and represent no liability to the District.

The District's Principal Source of Revenue is Derived from Water Sales

Almost all of the District's revenue can be attributed to water sales. The only other significant revenue source has been investment earnings. The District has not levied a property tax rate since 1971. Table 1 on page 18 illustrates the growth and decline of each revenue for fiscal years 1972-73 through 1975-76. Also included are the District's estimates for 1976-77.

An analysis of the District's revenue history suggests the following conclusions:

- Revenues have increased 57% between fiscal years 1972-73 and 1975-76, and should increase an additional 19% in 1976-77.
- Water sale revenues have increased 59% between 1972-73 and 1975-76, and should increase an additional 3.1% in 1976-77. In addition, water sales have represented over 94% of the District's revenue during the same period of time. In 1976-77 water sales will drop to 83% of total revenue as a result of anticipated one-time proceeds from the sale of District land and reimbursements from the State.

District Expenditures Have Increased 46 Percent Between Fiscal Year 1972-73 and 1975-76

Between fiscal years 1972-73 and 1975-76, District expenditures grew from \$2,133,005 to \$3,124,127, or 46%. Expenditures are summarized in Table 2 on page 19, and an analysis indicates that:

- Cost associated with salaries and benefits, water supply, and capital improvements consistently make up 75% or more of the expenditures.
- Water costs have experienced the greatest increases. These costs increased 83% between fiscal years 1972-73 and 1975-76. They are expected to increase an additional 8% in fiscal year 1976-77.
- Capital Improvement costs have accounted for between 13.8% and 21.4% of expenditures. This relative share will increase to 25% in 1976-77 due to the anticipated construction of a new District headquarters.

COSTA MESA COUNTY WATER DISTRICT

RevenuesFiscal Years 1972-73 to 1976-77

Table 1

<u>Revenue Source</u>	<u>Actual 1972-73</u>	<u>% of Total</u>	<u>Actual 1973-74</u>	<u>% of Total</u>	<u>Actual 1974-75</u>	<u>% of Total</u>	<u>Actual 1975-76**</u>	<u>% of Total</u>	<u>Budget 1976-77</u>	<u>% of Total</u>
Water Sales	\$2,052,358	94.4%	\$2,241,869	94.2%	\$2,606,647	94.8%	\$3,265,945	95.7%	\$3,368,606	83.0%
Miscellaneous Income	12,770	0.6%	22,051	0.9%	16,209	0.6%	9,528	0.3%	28,500	0.7%
Interest	61,467	2.8%	95,931	4.0%	101,828	3.7%	66,718	2.0%	78,483	1.9%
Rent	16,576	0.8%	16,776	0.7%	17,557	0.6%	17,701	0.5%	38,250	0.9%
Other	31,601	1.4%	4,062	0.2%	8,287	0.3%	51,414	1.5%	543,500*	13.5%
Total	\$2,174,772		\$2,380,589		\$2,750,528		\$3,411,306		\$4,057,339	

* Includes \$193,000 reimbursement from the State for construction projects, and \$318,000 from the sale of District land.

**These figures were extracted from the District's Financial and Statistical Statement for June, 1976. They have not been reviewed by the District's Auditor.

COSTA MEST COUNTY WATER DISTRICT

ExpendituresFiscal Years 1972-73 to 1976-77

Table 2

<u>Expenditures</u>	Actual 1972-73	% of Total	Actual 1973-74	% of Total	Actual 1974-75	% of Total	Actual 1975-76*	% of Total	Budget 1976-77	% of Total
Salaries and Benefits	\$ 470,353	22.1%	\$ 480,113	21.2%	\$ 557,000	19.0%	\$ 642,312	20.6%	\$ 850,408	20.9%
Maintenance and Operations	305,747	14.3%	449,149	19.8%	540,970	18.5%	470,968	15.0%	494,092	12.3%
Bonded Debt	226,000	10.6%	101,000	4.5%	116,000	4.0%	156,762	5.0%	155,612	3.8%
Water Supply	778,649	36.5%	921,405	40.7%	1,083,223	37.1%	1,422,211	45.5%	1,542,000	38.0%
Capital Improvements	352,256	16.5%	313,392	13.8%	626,114	21.4%	431,874	13.9%	1,015,227	25.0%
Total	\$2,133,005		\$2,265,059		\$2,923,307		\$3,124,127		\$4,057,339	

*These figures were extracted from the District's Financial and Statistical Statement for June, 1976. They have not been reviewed by the District's Auditor.

Chapter II

CITY OF COSTA MESA

- FACTUAL PROFILE -

This chapter presents a factual profile of the City of Costa Mesa, including:

- . An overview of the City organization and the services it provides.
- . An analysis of organization and staffing patterns.
- . An analysis of administrative support activities such as accounting, personnel, and engineering services.
- . A fiscal analysis.
- . An identification of current and potential relationships between the City and the delivery of water service.

City Organization and Services

The City of Costa Mesa was incorporated in 1953 as a general law city pursuant to State law. It has adopted the Council-Manager form of government and delivers a full range of municipal services. The following summarizes the City's organizational structure and the services it provides to its residents.

The City Council is Directly Responsible to the Electorate

The five member City Council is elected at large to direct the activities of the City. The City Council, in turn, elects a Mayor to serve as the chairperson for the City Council and official representative of the City. The Council also selects a Vice-Mayor who assumes the duties of Mayor as required.

The fundamental responsibility of the City Council is to establish overall policy for the City and insure its implementation through:

- . Enactment of ordinances, resolutions, and policies that promote the general welfare of the community.
- . Adoption of the annual budget and the resulting levy of taxes for municipal services.
- . Regulation of land use.

The City Council implements its policies and programs through an appointed City Manager who is responsible for the administration and management of the City

organization. The City Clerk, and City Attorney are also appointed by and report directly to the City Council.

The City Provides A Wide Range of Municipal Services

Costa Mesa directly provides a wide range of municipal services, including:

- General Government

This group of services consists of those essential support activities provided by the City Attorney, City Clerk, City Manager's Office, Finance Department, Personnel Department, and Planning Department.

- Public Safety

Public safety services include the provision of police and fire protection, communications, animal control, and building safety.

- Public Works

Public works services include the maintenance of City facilities and equipment; engineering activities such as design, review of construction plans, construction inspection, and right of way acquisition; traffic engineering; street maintenance; and the maintenance and operation of sanitary sewers and solid waste disposal.

- Leisure Services

Leisure services include the construction and maintenance of parkways and parks; provision of recreation programs; and the maintenance and operation of the City golf course.

- Community Development and Redevelopment

These services include implementation of the City's community development program through Housing/Community Development Act funding and the provision of staff support to the City's Community Redevelopment Agency.

Water Service is Provided by the Costa Mesa County Water District and the Santa Ana Heights Water District

The majority of Costa Mesa residents receive water service from the Costa Mesa County Water District as a result of the merger of four existing water agencies, including the City Water Department, in 1960. A smaller number of City residents receive water service from the Santa Ana Heights Water District.

Staffing and Organization

This section outlines the City organization, including:

- . A discussion of the principal functions of each department.
- . A review of each department's organizational structure, reporting relationships, and staffing patterns.

The City is currently authorized 520 full-time positions and has a total budget of \$19,089,445. The operations portion of the budget is \$14,899,830 and \$4,189,615 is allocated for capital improvements. The City is organized into 9 operating departments that are directly responsible to the City Manager. In addition, the City Council directly appoints a City Clerk and City Attorney. The chart on page 23 describes the present organization and the table on page 24 summarizes the City's authorized positions.

The City Clerk is Responsible for the Supervision of Elections and the Maintenance of City Records

The City Clerk is appointed by and is responsible to the City Council for:

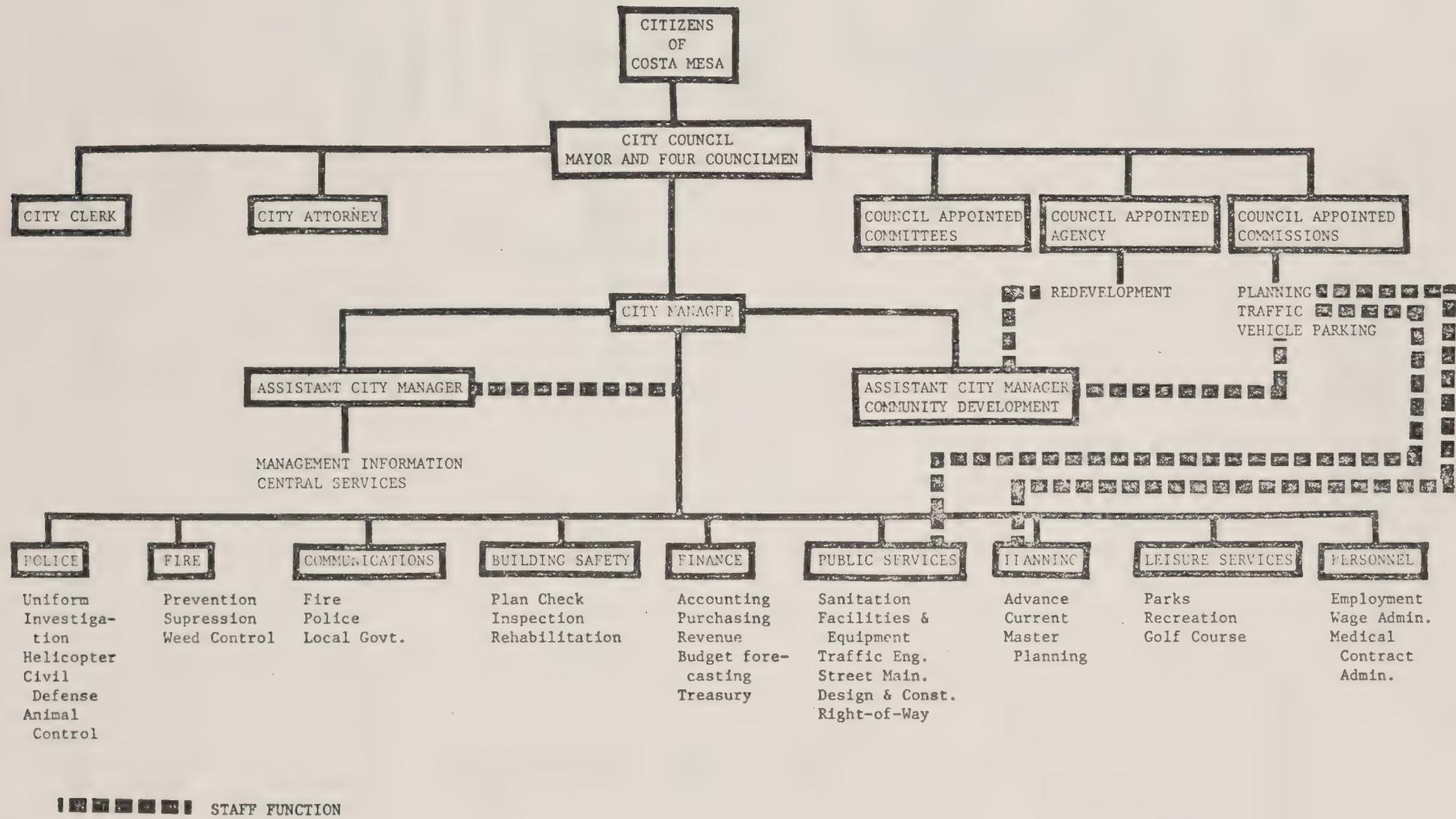
- . Supervision of all municipal and special elections.
- . Preparation of the agenda and minutes of all City Council meetings.
- . Maintaining and certifying records of all ordinances, resolutions, written contracts, and final tract maps.
- . Publishing the City's legal notices.
- . Administering loyalty oaths of office.
- . Performing secretarial duties relating to City Council business.
- . Maintaining all official records.

The City Clerk's staff includes four positions, as follows:

- . 1 City Clerk
- . 1 Deputy City Clerk
- . 1 Clerk Typist III
- . 1 Clerk Stenographer I

The Legal Department Provides Legal Services to the City Council, Planning Commission, and City Staff

The City Attorney is directly appointed by the City Council and is responsible



CITY OF COSTA MESA
Summary of Authorized Full-Time Positions
Fiscal Year 1976-77

<u>Department</u>	<u>Number of Positions</u>
<u>General Government</u>	
Legal	4
City Clerk	4
City Management	6
Finance	21
Personnel	4
Planning	16
Subtotal	55
<u>Internal Services</u>	
Central Services	10
Management Information	11
Subtotal	21
<u>Public Safety</u>	
Police	160
Fire	99
Building Safety	10
Communications	23
Animal Control	4
Subtotal	296
<u>Public Services</u>	
Public Services Administration	3
Facilities and Equipment	17
Engineering	16
Traffic Engineering	11
Streets	23
Sanitation	5
Subtotal	75
<u>Leisure Services</u>	
Leisure Services Administration	3
Parks and Parkways	45
Recreation	9
Golf Course	15
Subtotal	71
<u>Other</u>	
Community Development	1
Community Redevelopment	1
Subtotal	2
Total - Authorized Full-time Positions	520

for providing legal advice to the City Council, Planning Commission, and City staff. More specifically, his duties include:

- . Providing legal advice at all official meetings and study sessions of the City Council and Planning Commission.
- . Providing legal advice to City staff.
- . Preparation of legal documents.
- . Representing the City in court and other hearings.
- . Prosecuting violations of the Municipal Code.

The Legal Department is authorized five full-time positions, as follow:

- . 1 City Attorney
- . 1 Assistant City Attorney
- . 1 Deputy City Attorney
- . 1 Legal Secretary
- . 1 Clerk Stenographer III

The City Manager is the City's Chief Administrative Officer

The City Manager is appointed by the City Council and is responsible for managing the daily affairs of the City. Broadly, his duties include the direction and coordination of all City affairs within the guidelines established by the City Council. All City operating departments are under his direct supervision. The City Manager is assisted by two Assistant City Managers. One provides broad staff support and directly supervises the Management Information and Central Services Divisions. The other is responsible for the administration of the Housing/Community Development Act and the Community Redevelopment Agency.

The City Manager's Office is authorized 8 full-time positions and part-time Interns as follow:

- . 1 City Manager
- . 1 Assistant City Manager
- . 1 Assistant City Manager/Community Development
- . 1 Housing and Community Development Coordinator
- . 1 Planner I
- . 1 Administrative Secretary
- . 1 Clerk Stenographer II
- . 1 Clerk Typist II

- . Part-time Intern

The Finance Department is Responsible for Managing the City's Financial Affairs

The Finance Department is responsible for managing the financial affairs of the City. These responsibilities include:

- . Assisting in the preparation of the annual budget.
- . Providing financial advice to the City Manager and City Council.
- . Maintaining the accounting system.
- . Revenue administration.
- . Cash management and investments.
- . Expenditure control.
- . Purchasing and warehousing.

These tasks are performed by a staff of 21 full-time positions and part-time help allocated among four divisions: Administration, Accounting, Purchasing, and Revenue. The Department is under the direct supervision of the Finance Director who is appointed by and reports to the City Manager. The principal responsibilities, and staffing of each division are as follow:

. Administration

The division's principal functions include:

- Providing direction to and control of the Finance Department.
- Preparation and administration of the annual budget for the City Manager.
- Conduct of special research projects.

The division's staff includes three positions, as follow:

- 1 Finance Director
- 1 Budget Analyst
- 1 Secretary

. Accounting

This division is responsible for maintaining the accounting system, accounts payable system, payroll system, fixed assets system, and preparing various financial reports. The division staff includes 6 full-time positions as follow:

- 1 Assistant Finance Director
- 1 Accountant
- 1 Senior Accounting Clerk
- 3 Accounting Clerk

- . Purchasing

The Purchasing Division is responsible for the procurement of all services, supplies and equipment for all departments of the City. The division staff includes 5 full-time positions, as follow:

- 1 Purchasing Agent
- 1 Buyer
- 2 Clerk Typist II
- 1 Storekeeper

- . Revenue

This division provides centralized cashiering, collection and accounting for improvement bonds, maintains fund ledgers, prepares fund reports, reconciles bank accounts, collects and enforces business and transient occupancy taxes, and collects all accounts receivable. The Revenue Division staff includes six full-time positions, as follow:

- 1 Revenue Supervisor
- 1 Senior Accounting Clerk
- 2 License Inspector
- 2 Clerk Typist III
- 1 Clerk Typist II

The Personnel Department is Responsible for all Personnel Management Activities

The Personnel Department is responsible for all personnel management activities including selection, classification, compensation, manpower, training and safety, employer/employee relations, fair employment, and the administration of the City's retirement and insurance programs. The department is under the direct supervision of the Personnel Services Director who is appointed by and reports to the City Manager. The department staff includes four full-time positions and part-time clerical help, as follow:

- . 1 Personnel Services Director

- . 1 Personnel Assistant
- . 1 Secretary II
- . 1 Clerk Typist III
- . Part-time Clerk Typist II

The Planning Department is Responsible for Current and Advanced Planning

The responsibilities of the Planning Department include the provision of technical assistance to the Planning Commission and City Council in determining the growth and direction of the community. These broad responsibilities are carried out by a staff of 16 full-time positions and part-time Interns allocated among three divisions: Administration, Advance Planning, and Current Planning. The department is under the direct supervision of the Planning Director who is appointed by and reports to the City Manager. The principal responsibilities and staffing of each division are as follow:

. Administration

This division is responsible for the overall management and direction of the Planning Department and acts as a liaison with the City Council, Planning Commission, and City departments. The division staff includes 6 full-time positions, as follow:

- 1 Planning Director
- 1 Secretary II
- 1 Clerk Stenographer III
- 1 Clerk Stenographer II
- 1 Clerk Typist III
- 1 Clerk Typist II

. Advance Planning

This division provides technical assistance to the City Council, Planning Commission, City staff and community in the identification and solution of community development problems through the development of the General Plan, preparation of specific plans, and the drafting of ordinances. The division staff includes 5 full-time positions and part-time Interns as follow:

- 1 Planner III
- 2 Planner II
- 1 Planner I

- 1 Planning Design Aide
- Part-time Interns

- . Current Planning

This division is responsible for the implementation and enforcement of the City's zoning and land use policies and ordinances. The division staff includes 5 full-time positions and part-time Interns as follow:

- 1 Planner III
- 2 Planner II
- 2 Zoning Inspector
- Part-time Intern

Central Services is Responsible for Providing a Variety of Services to the City Departments

Central Services is responsible for the City's printing and photocopying needs, relief clerical assistance, mail and messenger services, and typing for other City departments. The division is under the direct supervision of the Central Services Supervisor who is appointed by and reports to the Assistant City Manager. The division is authorized 10 full-time positions and part-time assistance as follow:

- . 1 Central Services Supervisor
- . 1 Duplicating Equipment Supervisor
- . 1 Graphics Design Supervisor
- . 1 Clerk Stenographer III
- . 2 Duplicating Equipment Operator
- . 2 Clerk Stenographer II
- . 1 Mail Clerk
- . 1 Messenger
- . Part-time Duplicating Equipment Operator
- . Part-time General Aide

The Management Information Division is Responsible for Providing Data Processing Services to City Departments

The Management Information Division provides systems analysis, computer related

services, and computer prepared reports to the various City departments. The division is under the direct supervision of the Data Processing Manager who is appointed by and reports to the Assistant City Manager. The division is authorized 11 full-time positions as follow:

- . 1 Data Processing Manager
- . 1 Systems and Program Analyst
- . 1 Senior Computer Programmer
- . 3 Computer Programmer
- . 1 Senior Computer Operator
- . 1 Computer Operator
- . 1 Clerk Stenographer II
- . 2 Keypunch Operator

The Police Department is Responsible for Crime Prevention, Law Enforcement, and Animal Control

The Police Department is responsible for crime prevention and law enforcement activities within the City. This responsibility is carried out by five divisions: Administration, Services, Uniform, Investigation, and Helicopter. The department is under the direct control of the Police Chief who is appointed by and is responsible to the City Manager. The department is authorized 160 full-time positions and part-time assistance as follow:

- . 1 Chief of Police
- . 3 Police Captain
- . 10 Police Lieutenant
- . 21 Police Sergeant
- . 41 Senior Police Officer
- . 54 Police Officer
- . 1 Evidence Technician
- . 5 Civilian Custody Officer
- . 1 Laboratory and Equipment Technician
- . 1 Secretary I
- . 2 Clerk Stenographer III

- . 2 Clerical Shift Supervisor
- . 3 Clerk Typist III
- . 15 Clerk Typist II
- . Part-time Police Cadet
- . Part-time Police Reserve
- . Part-Time Clerk Typist II

In addition, the Police Department's Administrative Division is responsible for animal control activities. These activities include the regulation, control and prevention of rabies, and impounding animals. The animal control function is authorized 4 full-time positions as follow:

- . 3 Animal Control Officer
- . 1 Clerk Typist II

The Fire Department is Responsible for Fire Prevention and Suppression, and Emergency Medical Care

The Fire Department responsibilities include the prevention of fire problems, suppression of fires when they occur, and the provision of emergency medical care at the scene of an emergency. These responsibilities are carried out by 4 divisions: Administration, Suppression, Prevention, and Mobile Intensive Care. The department is under the direct control of the Fire Chief who is appointed by and reports to the City Manager. The department is authorized 99 positions and part-time help as follow:

- . 1 Fire Chief
- . 3 Battalion Chief
- . 1 Fire Marshal
- . 19 Fire Captain
- . 21 Firefighter Specialist
- . 2 Fire Protection Analyst
- . 51 Firefighter
- . 1 Secretary
- . Part-time Clerk Typist II

The Building Safety Department is Responsible for Building Code Enforcement

The Building Safety Department is responsible for the enforcement of codes and ordinances relating to the construction of buildings on private property, and for maintaining up-to-date community building standards. The department is under the direct supervision of the Building Safety Director who is appointed by and reports to the City Manager. The department's staff includes 10 full-time positions as follow:

- . 1 Building Safety Director
- . 1 Assistant Building Safety Director
- . 1 Chief Electrical Inspector
- . 1 Chief Plumbing Inspector
- . 1 Building Inspector II
- . 1 Electrical Inspector
- . 1 Plumbing Inspector
- . 1 Secretary II
- . 1 Clerk Typist III
- . 1 Clerk Typist II

The City Has Centralized Responsibilities for all Communications Activities in the Communications Department

The Communications Department is responsible for the City's communications activities including:

- . Dispatch of police and fire personnel and equipment in response to citizen requests for service.
- . Dispatch of other emergency public services including Costa Mesa County Water District services outside of normal business hours.
- . Installation and maintenance of the City's telephone system.
- . Installation and maintenance of various electronic systems for City departments, including the Water District's mobile radios.

The department is under the direct supervision of the Communications Director who is appointed by and reports to the City Manager. The department's staff includes 23 full-time positions and part-time assistance as follow:

- . 1 Communications Director

- . 1 Senior Communications Supervisor
- . 4 Communications Supervisor
- . 2 Communications Technician
- . 14 Communications Officer
- . 1 Clerk Stenographer II
- . Part-time Cadet

The Public Services Department is Responsible for all Maintenance and Engineering Activities

The Public Services Department is responsible for all the City's maintenance and engineering activities, including:

- . Maintenance of the City buildings and equipment.
- . Engineering services such as design, review and approval of construction plan, administration of construction projects, and right-of-way acquisition.
- . Traffic engineering.
- . Maintenance of streets, curbs, sidewalks, and storm drains.
- . Street lighting.
- . Provision of contract services to the Costa Mesa Sanitary District for management, maintenance and operation of sanitary sewers and solid waste disposal.

These activities are performed by a staff of 75 positions allocated among six divisions: Administration, Facilities and Equipment, Engineering, Traffic Engineering, Streets, and Sanitary Sewers. The department is under the direct supervision of the Public Services Director/City Engineer who is appointed by and reports to the City Manager. The principal responsibilities and staffing of each division are as follow:

. Administration

The principal responsibility of this division is the overall direction and coordination of the Public Services Department and the provision of staff support to the Costa Mesa Sanitary District. The division's staff includes 3 full-time positions as follow:

- 1 Public Services Director/City Engineer
- 1 Administrative Assistant
- 1 Secretary II

. Facilities and Equipment

This division is responsible for the maintenance and repair of all City owned buildings, vehicles and equipment. These responsibilities are performed by three sections: Administration, Public Facilities, and Corporation Yard. The division staff includes 17 full-time positions and part-time assistance as follow:

- 1 Facilities and Equipment Superintendent
- 1 Equipment Maintenance Supervisor
- 1 Building Maintenance Supervisor
- 1 Equipment Mechanic III
- 4 Equipment Mechanic II
- 5 Building Maintenance Worker
- 1 Equipment Mechanic
- 1 Secretary
- 1 Custodian
- 1 Clerk Typist II
- Part-time Maintenance Worker
- Part-time Janitor

. Engineering

This division is responsible for the design, coordination, construction, and inspection of capital improvement projects located in the public right-of-way. These responsibilities are performed by four sections: Design, Development, Construction, and Right-of-Way. The division staff includes 16 positions and part-time assistance as follow:

- 1 Assistant City Engineer
- 1 Senior Civil Engineer
- 2 Associate Civil Engineer
- 1 Right-of-Way Agent
- 2 Engineering Assistant
- 1 Senior Construction Inspector
- 3 Construction Inspector

- 2 Engineering Aide II
- 1 Engineering Aide I
- 1 Secretary II
- 1 Clerk Typist II
- Part-time Junior Draftsman

. Traffic Engineering

This division is responsible for the provision of traffic engineering services and the installation and maintenance of markings on all local streets, traffic signs, curb painting and the like. This division is also responsible for street lighting. These responsibilities are performed by two sections: Administration and Safety Devices. The division staff includes 11 full-time positions and part-time assistance as follow:

- 1 Traffic Engineer
- 1 Assistant Traffic Engineer
- 1 Senior Maintenance Supervisor
- 2 Traffic Engineering Technician
- 2 Senior Maintenance Worker
- 3 Maintenance Worker
- 1 Secretary I
- Part-time Intern
- Part-time General Aide I

. Streets

This division is responsible for the maintenance of streets, curbs, sidewalks, alleys, storm drains, and sewers. In addition, the Streets Division is responsible for carrying out the maintenance and operations duties for the Costa Mesa Sanitary District. These responsibilities are performed by five sections: Administration, Traveled Ways and Shoulders, Street Cleaning, Curbs and Sidewalks, and Storm Drains. The division staff includes 23 full-time positions and part-time assistance as follow:

- 1 Street Superintendent
- 1 Street Maintenance Supervisor

- 2 Maintenance Supervisor
- 8 Senior Maintenance Worker/Equipment Operator
- 9 Maintenance Worker
- 1 Secretary I
- 1 Clerk Typist II
- Part-time Clerk Typist II

- . Sanitation

This division provides contract services to the Costa Mesa Sanitary District for the management, maintenance, and operation of sanitary sewers and solid waste disposal. The management activities are performed by the Administrative Division, while maintenance and operation activities are directed by the Streets Division. The Sanitation Division staff includes 5 full-time positions and part-time assistance as follow:

- 1 Pump Technician
- 3 Senior Maintenance Worker
- 1 Maintenance Worker

The Leisure Services Department is Responsible for the Provision of Recreational Activities and the Maintenance and Operation of Parks, Parkways, and Golf Course

The Leisure Service Department responsibilities include long-range planning for parks and recreation activities and facilities, maintenance of all parks and parkways, provision of various recreational programs, and the maintenance and operation of the municipal golf course. The department is under the direct supervision of the Leisure Services Director who is appointed by and reports to the City Manager. The department's responsibilities are carried out by 4 divisions: Administration, Parks and Parkways, Recreations, and Golf Course. The staff includes 71 full-time positions and part-time assistance as follow:

- . 1 Leisure Services Director
- . 1 Secretary II
- . 1 Park Superintendent
- . 1 Recreation Superintendent
- . 1 Golf Course Superintendent
- . 5 Maintenance Supervisor
- . 10 Maintenance Lead Worker

- . 11 Senior Maintenance Worker
- . 30 Maintenance Worker
- . 1 Secretary I
- . 3 Recreation Supervisor
- . 3 Recreation Leader
- . 2 Clerk Typist II
- . 1 Golf Starter
- . Part-time Park and Recreation positions

Administrative Support Activities

The following summarizes the way in which the City performs the administrative support activities essential to the delivery of municipal services.

Personnel Services are Provided by the City Personnel Department

All personnel management services are provided by the Personnel Department including labor relations, selection, classification, compensation, training, safety, fair employment, and the administration of manpower programs, self insurance programs, and the retirement plan. The only outside personnel services utilized are those of a consultant during negotiations with the employee associations. The consultant's role is to provide advice to the Personnel Director who is the City's spokesman.

Financial Services are Provided by the City Finance Department

All financial services required by the City are provided by the Finance Department, including:

- . Provision of financial advice to the City Manager and City Council.
- . Cash management and investments.
- . Budget preparation.
- . Maintenance of the accounting system.
- . Financial reporting.
- . Revenue administration.
- . Purchasing.
- . Expenditure control.

The only outside financial services utilized by the City are those required for the annual audit.

Customer Billing and Collection is Performed by the Revenue Division

The Finance Department's Revenue Division is responsible for all the City's customer billing and collection activities, including business licenses, dog licenses, weed abatement, various service charges, and miscellaneous receivables. With the assistance of a computerized billing system, the division:

- . Issues bills.
- . Accepts payments both in person and through the mail.
- . Takes whatever collection action is required on delinquent accounts.

Purchasing is Coordinated and Controlled by the Finance Department's Purchasing Division

The Purchasing Division is responsible for the procurement of all services, supplies, and equipment for all City departments. This responsibility is carefully coordinated with appropriate staff in each of the City departments, particularly with respect to development of equipment specifications.

Equipment Maintenance is Performed by the Public Works Department, Facilities and Equipment Division

The Corporation Yard Section of the Facilities and Equipment Division is responsible for the repair and maintenance of all gasoline and diesel powered vehicles and motorized equipment. The only tasks not performed by City mechanics are body work, painting, and front-end alignments.

Building Maintenance is Also the Responsibility of the Facilities and Equipment Division

The Public Facilities Section of the Facilities and Equipment Division is responsible for the general maintenance and repair of all City-owned buildings, including those leased by outside agencies. The maintenance and repair tasks performed by City employees include painting, carpentry, plumbing, electrical, and the operation, service, and maintenance of the heating, ventilating, and air conditioning systems. Routine janitorial services are also performed by City employees. Major repairs to the heating and air conditioning system are performed by private contractors.

Engineering Services Are Provided by City Staff

All engineering services are provided by the Engineering Division of the Public Works Department. This division is responsible for:

- . Preparation of street and storm drain construction plans and specifications.
- . Coordination of the street maintenance program.
- . Review of construction plans, parcel maps, and tract maps prepared by private engineers.
- . Administration of public construction projects.
- . Inspection of private construction in the public right-of-way.
- . Right-of-way acquisition.

Legal Assistance is Provided by the City Attorney's Office

The City Attorney and his staff provide all the basic legal services to the City Council, Planning Commission, and City staff. The City Attorney's staff is augmented by outside legal counsel as required.

Communications Services are Provided by City Staff

All communications services are provided by the Communications Department, including:

- . Dispatch of police and fire personnel and equipment.
- . Dispatch of other emergency public services and Costa Mesa Water District services outside of normal business hours.
- . Installation and maintenance of the telephone system.
- . Installation and repair of electronic systems, including the Water District's mobile radios and the Sanitary District's sewer alarms.
- . Installation and maintenance of the emergency fire alarm call box system.

Printing, Word Processing, and Mail Services are Provided by the Central Services Division

The Central Services Division provides a broad range of services to all the City departments, including:

- . Printing, copying, collating, and binding.
- . Relief clerical assistance.
- . Mail and messenger service.

- . Production of major reports through the use of word processing equipment.

The City Possesses a Substantial Data Processing Capability

The Management Information Division provides the City departments with systems analysis, computer-related services, and computer prepared reports. The City is currently using an NCR 200 central processing unit and peripheral storage and printing equipment. By the end of September, 1976 an NCR 201 will be installed and remote terminals will be available in January of 1977. These improvements will permit the City to implement almost any municipal data processing application. The most important current data processing applications include:

- . Accounting system with subsystems for budgeting, purchasing, fixed assets, revenue, inventory, warrants, and ledgers.
- . Personnel management system including subsystems for payroll and labor distribution.
- . Land record system.
- . Business license system.
- . Vehicle cost system.

City Finance

The following section reviews the overall fiscal condition of the City, including:

- . A review of cash reserves and outstanding debt.
- . An analysis of revenues and expenditures.

The City's Cash Reserves Available for General Operating Purposes Amount to \$3.4 Million

As of July 1, 1976, the City's cash reserves available for general operating purposes amount to \$3,431,775. This amount is equal to 25% of the City's general fund resources for fiscal year 1976-77.

The City Has \$3.9 Million in Bonded Debt

The City sold \$3,910,000 worth of general obligation Open Space Bonds in 1974 payable over 30 years. Final payment will be due in January 2004. Debt service for 1976-77 will amount to \$270,000 for principal, interest, and administrative charges. The bonds are being financed by a special property tax rate approved by the voters.

The Assessed Value of Property Within the City has Consistently Increased During the Past Five Years

Property is assessed for tax purposes by the County Assessor, with the exception of utility property which is assessed by the State Board of Equalization. All property is assessed at 25 percent of market value, and the City tax rate is applied to each hundred dollars of assessed value. The City's tax base has increased as follows over the past five years:

<u>Year</u>	<u>Thousands of Dollars</u>	<u>% over Previous Year</u>
1972-73	219,191	
1973-74	241,151	10%
1974-75	291,131	21%
1975-76	322,622	11%
1976-77	388,961	21%

The City's General Tax Rate Has Declined Between Fiscal Years 1972-73 and 1976-77

The City's property tax rate for general purposes has declined \$0.1723 between fiscal years 1972-73 and 1976-77. The City's tax rate has decreased as follows:

<u>Year</u>	<u>Tax Rate</u>
1972-73	1.4225
1973-74	1.4225
1974-75	1.4525
1975-76	1.3599
1976-77	1.2502

City Revenues Have Experienced Steady Growth

The City has experienced steady growth in its revenues between fiscal years 1972-73 and 1975-76. Table 3, on page 42, illustrates the growth and decline of each group of revenue sources and their relative importance to total revenues. Also included are the City's estimates for 1976-77.

An analysis of the City's revenue history suggests the following conclusions:

- . Revenues have increased 49% between fiscal years 1972-73 and 1975-76. Total revenues will decrease in 1976-77 due to an anticipated decrease in Revenue Sharing and CETA funds. These revenue reductions are offset, however, by reductions in related expenditures.
- . Property tax, sales tax, and revenues from other agencies (State subventions, including Motor Vehicle In-Lieu Tax,

CITY OF COSTA MESA

RevenuesFiscal Years 1972-73 to 1976-77Table 3

Revenue Sources	1972-73 Actual		1973-74 Actual		1974-75 Actual		1975-76** Actual		1976-77 Budget	
	Thousands of Dollars	% of Total								
General Property Tax	\$ 3,229	24.7%	\$ 3,605	18.9%	\$ 4,092	22.3%	\$ 4,239	21.8%	\$ 4,352	22.8%
Sales Tax	3,764	28.8%	4,398	23.0%	4,838	26.4%	5,500	28.3%	5,515	28.9
Revenue from Other Agencies	3,048	23.4%	3,661	19.2%	4,007	21.8%	4,025	20.7%	4,045	21.2%
Miscellaneous Services	1,068	8.2%	5,196*	27.2%	2,209	12.0%	2,984	15.3%	1,992	10.4%
Use of Money and Property	393	3.0%	933	4.9%	894	4.9%	914	4.7%	815	4.3%
Golf Course	439	3.4%	492	2.6%	888	4.8%	666	3.4%	680	3.6%
Capital Outlay Fund	109	0.8%	273	1.4%	534	2.9%	58	0.3%	255	1.3%
Federal Revenue Sharing	1,004	7.7%	540	2.8%	883	4.9%	955	4.9%	500	2.6%
Community Development Act	0	0	0	0	0	0	110	0.6%	508	2.6%
Community Redevelopment Agency	0	0	0	0	0	0	0	0	127	0.7%
Cash Reserves									300	1.6%
Total	\$ 13,054		\$ 19,098		\$ 18,345		\$ 19,451		\$ 19,089	

* Includes 1974 Open Space Bond Issue Proceeds

**These figures are as of June 30, 1976 and are subject to final review by the City Auditor.

Cigarette Tax, and the like) consistently account for 70% or more of total revenues. They will represent 72.9% of total revenues in 1976-77.

City Expenditures Have Increased Between Fiscal Years 1972-73 and 1975-76

Between fiscal years 1972-73 and 1975-76, City expenditures, including capital improvements, grew from \$10,915,000 in 1972-73 to \$19,133,000 in 1975-76. Expenditures are summarized in Table 4 on page 44, and an analysis indicates that:

- . Costs associated with public safety, public works, and capital improvements consistently make up 70% or more of the expenditures. In 1976-77 they will account for 70% of total expenditures.
- . Capital improvement costs have represented between 15.1% and 26.6% of total expenditures. In 1976-77 they will account for 21.9%

City and Water Service

This section initially reviews current and potential relationships between the City and the delivery of water service. Broadly, there are only two City departments, Police and Leisure Services, that either currently or potentially do not have a direct relationship to the provision of water service.

The City's Fire, Public Works, Planning and Communications Departments Currently Have a Direct Relationship to the Provision of Water Service

In addition to the policy relationship between the City Council and the District Board, there are a number of current relationships between various City departments and the Costa Mesa County Water District:

. Fire

The Fire Department and the District coordinate their activities with respect to water supply, hydrant installation and repair, and water system planning as it relates to fire prevention and protection.

. Public Works

All Public Works activities, especially engineering and street maintenance, have a direct relationship to similar activities in the District.

. Planning

The Planning Department provides the District with land use and demographic data necessary for the planning of

CITY OF COSTA MESA

ExpendituresFiscal Years 1972-73 to 1976-77

Table 4

Expenditures	1972-73 Actual		1973-74 Actual		1974-75 Actual		1975-76* Actual		1976-77 Budget	
	Thousands of Dollars	% of Total								
General Government	\$ 707	6.5%	\$ 826	5.5%	\$ 938	5.6%	\$ 1,041	5.4%	\$ 1,125	5.9%
Internal Services	1,076	9.9%	1,330	8.8%	1,503	9.0%	1,589	8.3%	2,086	10.9%
Public Safety	4,164	38.1%	4,628	30.8%	5,894	35.4%	5,814	30.4%	6,320	32.6%
Public Works	1,919	17.6%	2,101	14.0%	2,426	14.6%	2,652	13.8%	2,914	15.3%
Leisure Services	794	7.3%	888	5.9%	1,057	6.4%	1,230	6.4%	1,371	7.2%
Golf Course	430	3.9%	414	2.8%	471	2.8%	483	2.5%	602	3.2%
Capital Improvements	1,650	15.1%	4,779	31.8%	3,645	22.1%	5,093	26.6%	4,189	21.9%
Other	175	1.6%	63	0.4%	587	4.1%	1,231	6.4%	570	3.0%
Total	\$ 10,915		\$ 15,029		\$ 16,521		\$ 19,133		\$ 19,177	

*These figures are as of June 30, 1976 and are subject to final review by the City Auditor.

water facilities. In addition, there is a close relationship between the two organizations insofar as enforcement of the City's land use and zoning policies and procedures is concerned.

- . Communications

As indicated previously, the City's Communications Department is currently maintaining the District's mobile radio equipment. In addition, the City dispatches District personnel outside of normal business hours in response to emergency requests for service.

The Assumption of Water Service by the City Would Affect Nearly All City Departments

If the City were to assume responsibility for water service, nearly every City department would be directly affected. The departments that would be most affected, in addition to those mentioned above, include:

- . Finance Department
- . Legal Department
- . Management Information Division
- . Personnel Department

Chapter III

THE LEGAL FRAMEWORK GOVERNING CHANGES OF ORGANIZATION

This chapter outlines the principal legal alternatives available under State law for accomplishing changes of organization. The discussion herein provides a broad overview of the legal alternatives available, and is not intended as a substitute for the more detailed legal analysis that will be required by the attorneys of the Costa Mesa County Water District and the City of Costa Mesa should a change of organization be initiated.

The District Reorganization Act Provides the Legal Framework for Changing the Organization of a Special District

The District Reorganization Act of 1965 (DRA) was enacted by the State Legislature in order to provide a framework within which to accomplish a change of organization or reorganization of a special district. Among other things, the DRA provides three basic alternatives for changes of organization:

- Subsidiary District

Under this alternative, the District would continue in existence with all of its powers, rights, duties, obligations and functions. The principal change would be that the City Council would also serve as the District Board of Directors.

- Merger

This alternative provides for the elimination of the District through its merger with the City. The City would, in effect, assume all of the obligations and functions of the District.

- Dissolution

This alternative provides for the outright elimination of the District. If dissolved, responsibility for providing water service to the area now served by the District, as well as other terms and conditions of the dissolution, would be determined by the Local Agency Formation Commission.

The District Reorganization Act Procedures Indicate That the Costa Mesa County Water District May Not Be Merged with the City of Costa Mesa

Section 56402 of the Government Code provides that a merger may only occur when the boundaries of the district are totally within the boundaries of

the city. As indicated previously, a portion of the District is outside the boundaries of the City. Therefore, the DRA's provisions regarding merger do not apply to the District.

The District May Be Made Subsidiary to the City if at Least 70% of the Area of the District's Taxable Property is Located Within the City

Section 56403 of the Government Code provides that the district may be established as a subsidiary district of the city if 70% or more of the area of the taxable or assessable real property of the district is within the boundaries of the city. While the City and the District do not have exact acreage figures, there is a strong possibility that 70% of the District's taxable property is located within the City. This tentative conclusion is based on estimated acreage figures provided by the District and the City respectively. Those figures reveal the following:

- . The land area of the District totals about 10,322 acres. Thus, the District's taxable land area is 10,322 acres less tax exempt properties owned by the District and other public agencies such as the Cities of Costa Mesa and Newport Beach, Orange Coast College, and the County of Orange.
- . That portion of the City of Costa Mesa that is within the boundaries of the District is about 9,072 acres, or 88%. Like the District, a portion of the City's total land is tax exempt. Thus, the City's taxable land area is 9,072 acres less tax exempt property.
- . At the present time, exact taxable land acreage figures are not available for the City and the District. However, if it is assumed that the total land area figures above are reasonably accurate, and that the District and City have approximately the same ratio of tax exempt property within their respective boundaries, then it is likely that 70% or more of the District's taxable land is within the City of Costa Mesa.
- . If it is determined that the District should be made subsidiary to the City, then the City will need to determine the exact taxable land areas for the City and the District prior to filing an application with the Local Agency Formation Commission.

The District May Be Dissolved Pursuant to District Reorganization Act Procedures

The DRA contains specific provisions relating to the dissolution of a district. As indicated previously, the Costa Mesa County Water District could be dissolved pursuant to these provisions, and the responsibility for providing water service would subsequently be determined by LAFCO.

If a Change of Organization is Accomplished Under the District Reorganization Act, Specific Procedures Must Be Followed

The District Reorganization Act provides specific procedures for creation of a subsidiary district, merger, or dissolution. The principal steps involved in accomplishing a change in organization under any of these alternatives are similar, and are summarized below:

. Preliminary Proceedings May Be Initiated by Petition or by Application of the City, District, or County

Consideration of a change in organization (whether through creation of a subsidiary district, merger, or dissolution) can be initiated by petition, or by application of the City of Costa Mesa, Costa Mesa County Water District, City of Newport Beach, or Orange County. If initiated by petition, signatures from 5 percent of the registered voters must be obtained. In either case, the petition or application is initially filed with the Executive Officer of the Local Agency Formation Commission.

. LAFCO Must Review and Approve or Disapprove All Changes of Organization Initiated Under the District Reorganization Act

Once the petition or application is filed, LAFCO must give notice, hold a hearing, and make a determination. In summary, LAFCO may either approve, conditionally approve, or disapprove the proposal. If LAFCO disapproves the proposed change in organization, the proposal may not be considered again for a period of one year. If LAFCO approves, the proposed change is referred to the Board of Supervisors for appropriate action.

. The County Board of Supervisors Must Also Review and Approve or Disapprove Proposed Changes in Organization

The Board of Supervisors, like LAFCO, must give notice, hold a hearing, and make a determination. If the Board of Supervisors disapproves the proposed change, the proceedings are terminated.

. An Election Will be Required if Either the City or District Does Not Approve the Proposed Change in Organization

If the Board of Supervisors approves the proposed change of organization, the proposal is subject to a vote of the electorate. A vote is not required, however, if both the City Council and Board of Directors of the District agree to the proposed change.

- . The Final Decision is Implemented by the County Board of Supervisors

Depending upon the outcome of the election, the Board of Supervisors adopts a resolution that either:

- Confirms the defeat of the proposed change of organization by the electorate.
- Confirms its approval and orders implementation of the change of organization in conformance with the terms and conditions set by LAFCO.

The District Reorganization Act Provides the Local Agency Formation Commission With Authority to Specify the Terms and Conditions of a Change of Organization

One of the most important considerations involved in an analysis of organization alternatives pertains to the resolution of questions regarding the distribution of personal and real property, water rights, designation of a successor agency, and provision of service. In general, the Government Code provides a procedure whereby LAFCO resolves each of the questions referenced above, as well as others. These procedures are contained in Sections 56470-56475 of the Government Code, and apply to all changes of organization including the creation of a subsidiary district and dissolution. It is pursuant to these provisions that LAFCO would normally determine, among other things:

- . The distribution of District assets including real and personal property and water rights.
- . The provision of water service to the accounts currently served by the District that are outside the boundaries of the City of Costa Mesa.

Sections 56480-56550 of the Government Code also contain procedures for resolving questions such as those referenced above, but these provisions only apply in the event that LAFCO fails to specifically resolve an issue. For example, the provisions contained in Government Code Sections 56500-56513 regarding dissolution would only apply if the terms and conditions imposed by LAFCO failed to make provisions for a specific matter such as the distribution of the District's assets.

The effect of this arrangement is to give LAFCO all the authority and flexibility it needs to set terms and conditions that are in the best interest of the taxpayers and the affected parties. For example, should the Costa Mesa County Water District be dissolved, LAFCO may distribute the assets of the District to the City of Costa Mesa if, in the opinion of LAFCO, such a distribution would be in the best of interests of taxpayers and affected parties. LAFCO could also require that the City provide water service to the District's service area that is outside the City boundaries.

Chapter IV

ANALYSIS OF ALTERNATIVES

The purpose of this chapter is to review in detail the various organizational alternatives for providing water service to the area currently served by the Costa Mesa County Water District. The analysis will include the following steps:

- . A statement of assumptions.
- . A review of the methodology to be used in the analysis.
- . An identification of the various organizational alternatives available for providing water service.
- . A detailed analysis of each alternative and its implications in terms of:
 - Organization and staffing
 - Administrative support services
 - One-time costs and savings
 - Continuing costs and savings
 - Overall fiscal and personnel considerations
 - Policy and management considerations

Assumptions

The analysis that follows is based on the following assumptions:

- . Irrespective of whether the City or District provides water service, the service area and number of customers will not change substantially. It is assumed that LAFCO will require the City to serve all the area currently served by the District.
- . The City has all the legal powers necessary to plan, construct, and operate and maintain a water utility.
- . If the District is dissolved, the City will be named the successor agency and, under the terms and conditions of the dissolution, will receive all the District's assets and liabilities.
- . The revenue base of the District will remain the same irrespective of who provides water service.
- . Irrespective of whether the City or the District provides water service, the cost of imported water will not be affected.

- . District employees who, as a result of any alternative, become City employees will receive salaries comparable to those received from the District at the time of their absorption and the same fringe benefits received by City employees.
- . If the District were to continue to provide water service, there would be no need for additional personnel.
- . The costs of capital improvements and imported water will have to be absorbed by the water user irrespective of who provides the service.

Methodology

The analysis of alternatives was not undertaken until the District and the City had an opportunity to review and revise, where appropriate, the description of their respective organization as contained in the factual profiles in Chapters II and III.

The steps taken in the analysis of each alternative include the following:

- . Identify the organization and staffing patterns for each alternative including reporting relationships, staffing levels, and responsibilities.
- . Specify the way that each administrative support service is to be provided.
- . Identify the continuing costs and savings of each alternative. The costs and savings will be calculated with the following considerations in mind:
 - All calculations will be made for fiscal year 1976-77. To the maximum extent possible, all calculations will be based on the District's and City's budgets and financial records.
 - Overhead costs will be treated as direct costs. For example, all increases in personnel, maintenance, and operation costs associated with the financial, legal, data processing, equipment maintenance, and other support activities required by the water service will be shown as direct cost increases.
 - Personnel costs and savings will be calculated in the following way (see Appendices A and B on pages 85, 87 and 88 for a comparison of salaries and fringe benefits for the District and City):
 - .. Where a position is eliminated, the

cost savings will reflect base salary and fringe benefit costs.

- .. Where a District position is transferred to the City and receives a higher base salary than the comparable City position, it is assumed the District position will retain the higher salary. For example, the District's salary range for Construction Inspector is \$1,264 - 1,536 per month, while the City's salary range for Construction Inspector is \$1,147 - 1,394. Under this approach, a Construction Inspector receiving \$1,536 per month with the District would continue to receive \$1,536 per month when transferred to the City. It is assumed that the District positions will be frozen at the higher salary range until the salary for the comparable City position catches up.
- .. Where a District position is transferred to the City and receives a lower base salary than the comparable City position, it is assumed that the District position would be assigned to the step in the higher City salary range that would be equal to or higher than the District salary. For example, a District Account Clerk assigned to A step receives \$738 per month, while a City Account Clerk assigned A step receives \$767 per month. Under this approach, the Account Clerk receiving \$738 per month with the District would receive \$767 per month when transferred to the City.
- .. Where a District position is transferred to the City and there is no comparable City position, it is assumed that the District employee will retain the current District salary.
- .. Increases and decreases in fringe benefit costs will be calculated for all transferred District employees based on actual costs to the City and the District.

- Maintenance and operation expenses will be transferred to the City where appropriate. Exceptions will be identified.

- Increases in maintenance and operation costs will also be identified.

. Identify one-time costs and savings of each alternative such as computer programming, keypunching, elections, and the like.

Alternatives

There are three principal organizational alternatives for delivering water service to the Costa Mesa Area.

I. The District May Continue to Provide Water Service

This alternative assumes that neither the District nor the City would change its operations in relationship to the provision of water service. There would be no change in organization and staffing arrangements, the provision of administrative services, or facilities and equipment. Cost and savings implications would be significant only to the extent that other alternatives can deliver water service more or less expensively.

II. The City May Assume Responsibility for Providing Water Service

This alternative assumes that either through the creation of a subsidiary district or dissolution, that the City would accept responsibility for providing water service to the area currently served by the District.

III. The District May Contract With the City

This alternative assumes that the District would continue to be responsible for the delivery of water service, but would contract with the City for some or all of its services.

Analysis of Alternative II

As indicated previously, Alternative II proposes that the City assume responsibility for providing water service to the area currently served by the District. This responsibility would be assumed either through dissolution or the creation of a subsidiary district. While each of these options has some legal differences, the organization, staffing, and cost implications are similar.

The Delivery of Water Service Would Become the Responsibility of a City Water Department

Whether the City assumes responsibility for water service through dissolution or subsidiary district, the responsibility would be carried out by a separate Water Department that would be under the supervision of the City Manager. The responsibilities of the Water Department would include all those directly related to the construction, operation and maintenance of the water system. All administrative support activities would be assumed by existing City departments and the City Council would assume policy-making responsibility. The organization chart on page 54 describes the proposed Water Department, while the table of organization on page 55 summarizes the changes in authorized positions.

Under the proposed organization, 38 of the District's 46 authorized positions would be transferred to the City. Of the 38, 34 would be assigned to the Water

Proposed Organization

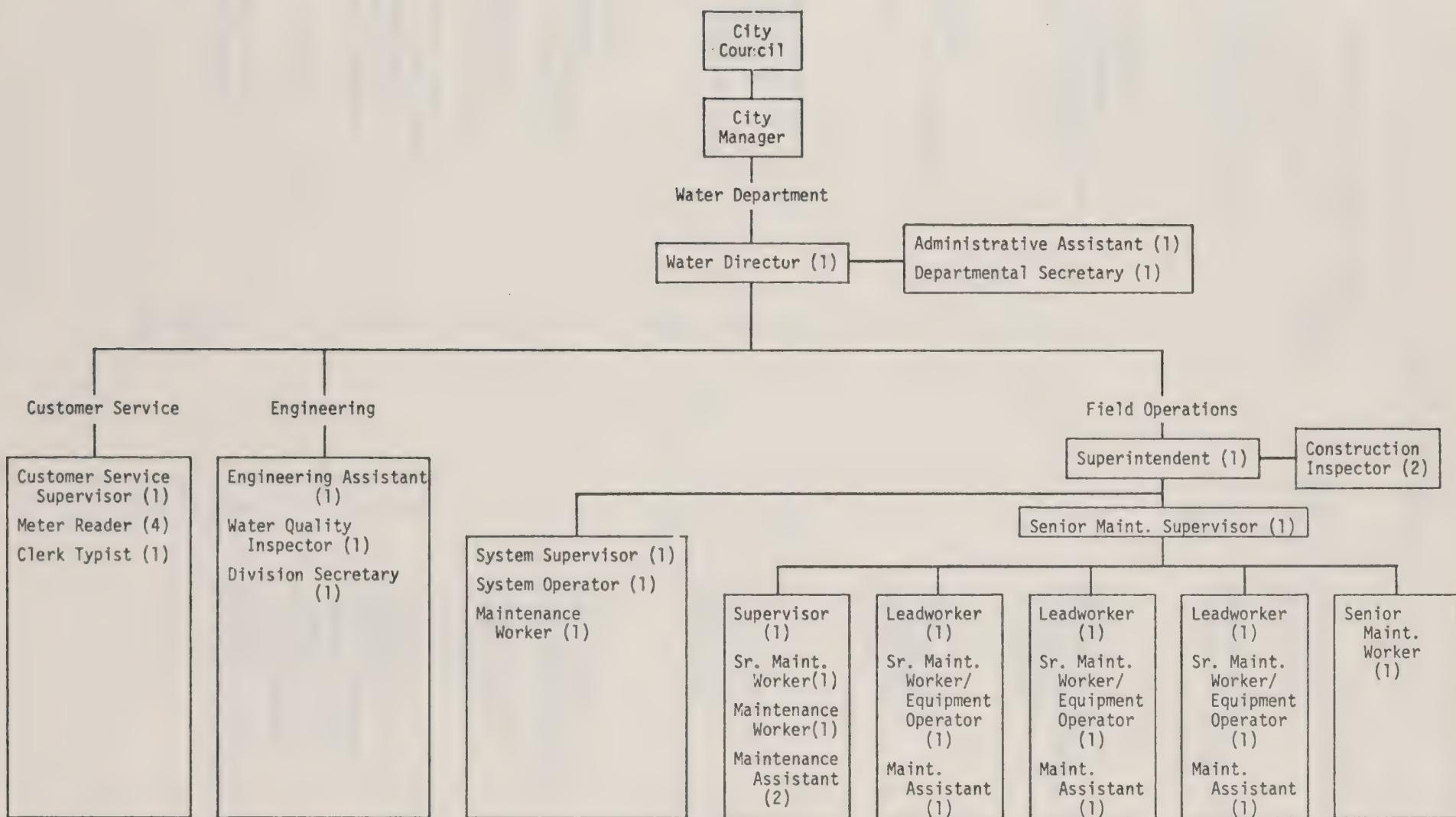


Table of Organization

<u>Costa Mesa County Water District</u>		<u>Number of Positions</u>	<u>Number of Positions</u>	<u>City of Costa Mesa</u>	
<u>Department and Position Title</u>				<u>Position Title</u>	<u>Department/Division</u>
<u>General Administration</u>					
General Manager and Secretary	1		1	Water Director	Water/Administration
Administrative Secretary	1		1	Departmental Secretary	Water/Administration
Community Relations Officer	1		0		
	<u>3</u>		<u>2</u>		
<u>Personnel/Engineering</u>					
Director of Personnel	1		1	Administrative Asst.	Water/Administration
Personnel Records Clerk/Secretary	1		1	Division Secretary	Water/Engineering
Associate Civil Engineer	1		1	Engineering Assistant	Water/Engineering
Water Quality Inspector	1		1	Water Quality Inspector	Water/Engineering
	<u>4</u>		<u>4</u>		
<u>Customer Service</u>					
Customer Service Supervisor	1		1	Customer Service Supervisor	Water/Customer Service
Meter Reader	4		4	Meter Reader	Water/Customer Service
	<u>5</u>		<u>5</u>		
<u>Finance</u>					
Office Manager/Auditor	1		0		
Accountant	1		0		
Accounting Clerk II	2		1	Sr. Account Clerk	Finance/Accounting
Account Clerk I	1		0		
Service Clerk/Clerk Typist	3		1	Clerk Typist	Finance/Revenue
Cashier	1		0	Clerk Typist	Water/Customer Service
	<u>9</u>		<u>3</u>		
<u>Field Operations</u>					
Superintendent	1		1	Superintendent	Water/Field Operations
Construction Inspector	2		2	Construction Inspector	Water/Field Operations
Equipment Mechanic II	1		1	Equipment Mechanic II	Public Works/Equipment and Facilities
System Supervisor	1		1	System Supervisor	Water/Field Operations
System Operator	1		1	System Operator	Water/Field Operations
Assistant Superintendent	1		1	Sr. Maintenance Supervisor	Water/Field Operations
Field Services Clerk	1		0		
Corporation Yard Foreman	1		1	Storekeeper	Finance/Purchasing
Water Supervisor II	1		1	Maintenance Supervisor	Water/Operations
Water Supervisor I	3		3	Leadworker	Water/Operations
Maintenance Leadworker	1		1	Senior Maintenance Worker/Equipment Operator	Water/Operations
Equipment Operator	3		3	Senior Maintenance Worker/Equipment Operator	Water/Operations
Maintenance Worker II	3		3	Maintenance Worker	Water/Operations
Maintenance Worker I	5		5	Maintenance Assistant	Water/Operations
	<u>25</u>		<u>24</u>		
	<u>46</u>		<u>38</u>		

Department, 3 to the Finance Department, and 1 to the Public Services Department. The Water Department would consist of Customer Service, Engineering, and Field Operations Divisions, each under the direct control of the Water Director.

The City Council Would Assume Policy-Making Responsibility for Water Service

The City Council would assume the additional responsibility for making water policy decisions regarding service levels, capital improvements, finances, and the like. The District's five elected Directors would be eliminated.

The elimination of the District Board would result in an annual cost savings of \$27,964, as follows:

Salaries	\$ 9,000
Indirect Salary Costs	4,964
Office Supplies	2,000
Conferences ⁽¹⁾	7,000
Election Expense ⁽²⁾	4,500
Board Meeting Expense	<u>500</u>
	\$27,964

The District's General Manager Would Assume Management Responsibility for the City Water Department

The District's General Manager would assume responsibility for the day-to-day management of the City Water Department. With few exceptions he would continue to perform the same duties he is currently performing. This arrangement would have the following organization, staffing, and cost implications:

. Organization

The General Manager would become a department head and would be appointed by and report to the City Manager. The City Manager, in turn, would be responsible to the City Council for water operations.

. Staffing

Inasmuch as the basic responsibilities of the General Manager would not change, it is assumed that there would be no reduction in his immediate staff. Under the proposed organization, the General Manager would become a Water Director and the Administrative Secretary would be reclassified to a Departmental Secretary

(1) The District currently budgets \$9,000 for conferences. It is assumed that \$2,000 would be needed for the attendance of City Council members at water-related conferences.

(2) The District is required to hold an election every other year at a cost of \$9,000. The \$4,500 reflects the average annual cost of this election.

- Cost

There would be no cost increases or savings with respect to personnel and maintenance and operation costs that are directly attributable to the Water Director and his staff.

The District's Community Relations Program Would Become Part of the City's Overall Public Information Program

The District's current community relations program would become part of the City's overall public information program. This would have the following organization, staffing, and cost implications:

- Organization

Water Department personnel would continue to be involved in providing information to the community with respect to water service. The principal difference would be that such efforts would be coordinated by the City Manager's office with the City's overall public information program.

- Staffing

The position of Community Relations Officer would be eliminated. His responsibilities, to the extent they are continued, would be absorbed by the Water Director and his staff and the City Manager's office.

- Cost

This change would result in a savings of \$24,741, as follows:

Salaries	\$20,185
Fringe Benefits	3,541
Conferences	965
Office Expense	50
	<hr/>
	\$24,741

It is assumed that the City would continue the District's policy of printing and distributing brochures and pamphlets to water users. With this in mind, the \$10,389 budgeted by the District for Community Relations Expenses has not been deleted.

The Personnel and Engineering Activities Currently Performed by the District's Personnel/Engineering Department Would be Reallocated Between the City's Personnel and Water Departments

Currently the District's Personnel/Engineering Department is responsible for all the District's personnel activities and certain technical engineering and

plumbing inspection activities. In addition, the Personnel Director provides general administrative staff support to the General Manager. Under consolidation, these activities would be reallocated, as follows:

- . Personnel activities would be assumed by the Personnel Department.
- . Engineering and administrative staff support activities would be assigned to the Water Department.

Such an arrangement would have the following organization, staffing, and cost implications:

- . Organization

The City Personnel Director and his staff would assume responsibility for all personnel activities. Engineering activities would be assumed by the Water Department's Engineering Division. Administrative support activities would be provided by the District's current Personnel Director who would become the Water Director's Administrative Assistant.

- . Staffing

This change would not result in a reduction in staff, but would result in the reallocation of the District's current staff and responsibilities, as follows:

- Personnel Director

This position would be reclassified to Administrative Assistant and report to the Water Director. The position would be responsible for all its current activities with the exception of personnel which occupies a relatively small amount of its time. The position would, however, assume additional responsibilities with respect to administrative staff support and public information.

- Personnel Records Clerk/Secretary

This position would be reclassified to Division Secretary and be assigned to the Engineering Division. The position would be responsible for all its current activities with the exception of personnel. This position would, however, assume additional backup responsibilities with respect to customer service.

- Associate Civil Engineer

This position would be reclassified to Engineering Assistant and be assigned to the Engineering Division. There would be no change in the position's duties.

- Water Quality Inspector

This position would be assigned to the Engineering Division and would continue to perform all the tasks it is currently performing.

. Cost

There would be no reduction in personnel or maintenance and operation costs.

The Finance Activities Currently Performed by the District's Finance Department Would be Assumed by the City's Finance Department

The District's Finance Department currently has responsibility for all accounting, customer billing, and cashiering activities. These activities would be assumed by the City's Finance Department with some assistance from the Data Processing Division and the Water Department. The organization, staffing and cost implications are as follow:

. Organization

The City's Finance Director would assume responsibility for all the financial activities associated with water service. In broad terms, the Accounting Division would assume responsibility for accounts payable, payroll, cost accounting, and financial reporting. The Revenue Division would assume responsibility for accounts receivable, customer billing, and cashiering. The Water Department would assume responsibility for customer service activities, including opening and closing accounts, preparing closing bills, and resolving complaints.

. Staffing

This arrangement would have a significant impact on the District's current staffing patterns. For that reason, the following reviews each of the District's positions in terms of the duties currently performed and how they would be performed under consolidation:

- Auditor/Office Manager

This position would be eliminated and its tasks reallocated as follow:

- .. Supervision of assigned staff, which currently occupies about 75 percent of the position's time, would be reallocated to the City's Assistant Finance Director and Revenue Supervisor.
- .. Responsibility for cash management would be assumed by the Assistant Finance Director.
- .. Investments would become the responsibility of the Revenue Supervisor and Finance Director.
- .. Overall financial management, planning audit and budget activities would be the responsibility of the Finance Director.

- Accountant

This position would be eliminated and the tasks reallocated as follow:

- .. Supervision of the Account Clerks would be assumed by the Assistant Finance Director and his Accountant.
- .. Preparation of the daily revenue and expenditure report would be done by computer.
- .. Monthly financial statements would be prepared by computer.
- .. Bond and coupon records would be maintained by the Revenue Division.
- .. Monthly inventory would be done by computer.
- .. Accounts receivable would be assumed by the Revenue Division.
- .. Preparation of special financial reports would be done by the Accounting Division.

- Account Clerk II

The position assigned responsibility for payroll and accounts payable would be transferred to the Accounting Division and reclassified to Senior Account Clerk.

- Account Clerk II

The position assigned responsibility for accounts receivable would be eliminated and the tasks re-allocated to the Revenue Division.

- Customer Billing

Customer billing and cashiering activities are currently performed by five District positions, as follow:

.. Cashier

This position is responsible for processing 400 to 600 pieces of mail a day, serving as a receptionist, and receiving between 40 and 100 payments a day over the counter.

.. Account Clerk I

This position works about 25 hours per week and is responsible for balancing the meter books, preparing the water bills, and posting the book ledgers.

.. Clerk Typist

There are three Clerk Typist positions that perform the following tasks:

- One has primary responsibility for answering the phone, processing turn-offs and turn-ons, updating customer account records, preparing closing bills, and serving as back-up cashier.
- A second has second responsibility for answering the phone, processing delinquent accounts, posting the book ledger cards, and miscellaneous typing.
- The third has back-up responsibility on the phone, posts the customer account cards, operates the addressograph and stuffing machine, and assists in bill preparation.

Of the five positions described above, the Cashier, Account Clerk I and one Clerk Typist would be eliminated. The two remaining Clerk Typist positions would be transferred to the City. One would be assigned to the Revenue Division, and the other to the Water Department's Customer Service Division. The duties of the five positions would be reallocated as follows:

- .. Revenue Division would assume responsibility for cashiering and processing the mail.
- .. Customer Service Division would assume responsibility for turn-ons and turn-offs, answering customer complaints, and processing delinquent accounts.
- .. The computer would prepare the bills, do all the posting and balancing, and track delinquent accounts.
- .. The Central Services Division would stuff the envelopes and mail the bills.

. Cost

The assumption of the finance responsibilities would result in a savings of \$87,937, as follows:

Salaries	\$67,140
Fringe Benefits	12,085
Equipment Rental	4,000
Outside Services	<u>5,180</u>
	\$88,405
Less Salary increase to District Account Clerk	<u>- 468</u>
	<u><u>\$87,937</u></u>

The District's Current Customer Service Department Would Become a Division of the City Water Department

The District's Customer Service Department currently has responsibility for meter reading, re-reads, customer complaints, meter repair and replacement, connections and disconnections of water services and collecting on delinquent accounts. Under

consolidation all these activities would be assumed by the Water Department's Customer Service Division. The organization, staffing, and cost implications are as follow:

- . Organization

The Customer Service Division would be located in the Water Department and directly responsible to the Water Director.

- . Staffing

There would be no effect on staffing with the exception that one Clerk Typist currently assigned to the District's Finance Department would be transferred to the Customer Service Division.

- . Cost

There would be no increases or decreases in operating costs.

Field Operations Would Be Transferred to the City Water Department

The District's current Field Operations Department would be transferred in tact to the City Water Department, with the following exceptions:

- . Vehicle and equipment repair responsibilities would be assumed by the Equipment and Facilities Division in the Public Works Department.
- . Purchasing would be assumed by the Finance Department's Purchasing Division.
- . Communications would be assumed by the Communications Department.

This arrangement would have the following organization, staffing, and cost implications.

- . Organization

The Field Operations Division would be managed by a Superintendent who would report directly to the Water Director. In terms of organizational structure, Field Operations would remain unchanged with the exception that vehicle and equipment maintenance, communications, and purchasing would, as indicated above, be assumed by the appropriate City departments.

- . Staffing

The organization structure described above would result in the following staffing changes:

- Equipment Mechanic II

This position would be transferred to the Public Services Department's Facilities and Equipment Division.

- Field Services Clerk

This position would be eliminated and the tasks reallocated as follows:

- .. Dispatching would be assumed by the Communications Department.
- .. Processing purchase orders would be assumed by the Purchasing Division.
- .. Various record keeping responsibilities would be reallocated to the field supervisor.

- Corporation Yard Foreman

This position would be transferred to the Finance Department's Purchasing Division and be reclassified to Storekeeper. The position would continue to be responsible for the receiving and issuing of materials and equipment, and for general maintenance around the District corporation yard.

. Cost

The above would result in a cost savings of \$17,473, as follows:

Salaries	\$14,808
Fringe Benefits	<u>2,665</u>
	\$17,473

The Majority of Administrative Support Services Required by the Water Service Would be Provided by City Staff

The following summarizes the way that administrative support services would be provided if the City were to assume responsibility for water service:

. The City's Personnel Department Would Provide the Required Personnel Services

The City's Personnel Department currently provides all the personnel management services required by 520 full-time employees. It is assumed that the personnel services required by the transferred District employees would be

assumed by the City's Personnel Department without any significant increase in workload. This assumption is based on the following considerations:

- The District's employee turnover rate has ranged between 4.4% and 11.86% over the past five years. If it is assumed that the turnover rate was 10%, it would only require the City to recruit about 3 or 4 additional positions a year.
- The City has in operation a computerized personnel management system that automatically processes and updates all the employees' personnel records. As a result, the addition of the District's employees would have no significant impact on clerical workload.
- The Personnel Department has demonstrated the ability to absorb the personnel services associated with the City's absorption of additional employees. For example, the City hired 90 additional employees under the CETA program without the addition of personnel staff.

. All Financial Services Would Be Provided by the City's Finance Department

All financial services required by the water service would be provided by the City's Finance Department. Broadly, this would be accomplished by integrating water-related accounting requirements into the City's existing financial management system. More specifically, a separate self-balancing water fund would be created with its own fixed assets and liabilities. There would be no co-mingling of water fund revenues, expenditures, assets, liabilities, or reserves with other City funds.

The above would result in certain one-time and continuing costs and savings.

- Continuing Costs and Savings

There would be a continuing net savings of \$21,000 per year, as follows:

- .. The cost of the City's annual audit would increase by about \$3,000.
- .. The District's current contract with an outside Certified Public Accountant would be eliminated, resulting in a savings of \$24,000.

- One-Time Costs and Savings

There would be a one-time cost of \$5,000. This represents the costs associated with merging the District's accounting records with the City's accounting system.

. Customer Billing Responsibilities Would Be Split Between the Finance and Water Departments

The customer billing activities would be automated. In broad terms, the Water Department would be responsible for customer relations and meter reading, while the Finance Department would be responsible for billing and collections. More specifically, the customer billing system would work as follows:

- Meter Readers would continue to read the meters.
- The consumption data collected by Meter Readers would then be keypunched and processed by the automated billing system which would automatically compute the consumption, prepare the bills, and post the accounts.
- When payments are received by mail, they would be batched by the Revenue Division and processed by the computer which would automatically post the customer accounts. The number of bills received would total about 400 to 600 a day. This additional workload would be absorbed by one of the District's Clerk Typist positions that would be transferred to the Revenue Division.
- Payments made in person would be received by the Cashier currently assigned to the Revenue Division. The number of these payments would range between 40 and 110 per day. Of these payments, about half would require some specialized customer service attention which would be provided by the Clerk Typist assigned to the Water Department's Customer Service Division.
- As indicated above, customer service responsibilities would be assigned to the Customer Service Division. These responsibilities would include processing turn-ons, turn-offs, delinquent accounts, and customer complaints. The work would be performed by a full-time Clerk Typist who would be transferred from the District to the City. Back-up support

would be provided by the Personnel Records Clerk/Secretary position that would also be transferred from the District to the City. As indicated previously, the Personnel Records Clerk/Secretary would no longer have any personnel responsibilities. These activities currently occupy about 35% of the position's time. This time would be available for customer service activities.

The above would result in certain one-time and continuing costs and savings.

- Continuing Costs and Savings

The automated billing system would result in a processing cost of about \$1,067 per month, or \$12,804 per year. This cost includes keypunching, data preparation for input, paper costs, computer time, programming support, and the rental of three disc packs for data storage. It should be noted, however, that these costs would be offset by the elimination of two full-time and one part-time District positions which would amount to \$28,108 per year.

- One-time Costs and Savings

The implementation of the automated billing system would result in a one-time cost of about \$3,000. This amount includes the cost of buying an existing NCR Utility Billing System, modifying and testing the system, and loading the master file with individual account data.

. Purchasing Services Would be Provided by the Finance Department's Purchasing Division

All purchasing services would be provided by the Finance Department's Purchasing Division. These services would be coordinated with the Water Department staff, particularly with respect to the purchase of specialized water equipment and materials. The District's current warehouse and yard facilities would continue to be used for the storage of water-related parts and materials. These facilities would be staffed by the District's current Corporation Yard Foreman who would be reclassified as a Storekeeper and report to the City's Purchasing Agent.

. The Maintenance and Repair of Vehicles and Equipment Would be Performed by the Public Services Department, Facilities and Equipment Division

The Corporation Yard Section of the Facilities and Equipment Division would be responsible for the repair and maintenance

of water-related motorized equipment and vehicles. The District's current Equipment Mechanic II would be transferred to the City to absorb the increased workload.

. Water-Related Professional Engineering Services Would Continue to be Provided by a Consulting Engineer

The City's engineering staff would not be able to assume the engineering services required by the water system. As a result, the District's current policy of utilizing the services of a consulting engineer would continue, at least in the short term. In long term, it may very well make sense to increase the engineering capabilities of the City's staff and terminate the agreement with the consulting engineer. As indicated previously, it is assumed that the District's full-time Associate Civil Engineer would be transferred to the City and continue to perform the engineering tasks he currently performs.

. Legal Assistance Would Continue to be Provided by a Private Law Firm

As with engineering services, a private law firm would continue to provide water-related legal services. The principal difference would be that their work would be coordinated by the City Attorney. It is likely that over time the City Attorney's Office would be able to assume some of the routine legal work performed by the private law firm without the addition of staff. However, specialized water-related legal questions would still need to be handled by a specialist in water law.

. Responsibility for Communications Would be Assumed by the City's Communications Department

The City Communications Department is currently maintaining the District's radio equipment and, after normal business hours, is receiving calls, monitoring the telemetering equipment, and dispatching District personnel as appropriate. These services would continue to be provided. In addition, the City would assume responsibility for all water-related dispatching during normal business hours. This would eliminate the need for the District's current base station and antenna located at the corporation yard. It would also eliminate the District position currently responsible for dispatching. A review of District's radio traffic indicates that it would be absorbed by the City without additional staff.

. District Employees Would be Covered by the City Insurance Program

The 38 District employees transferred to the City would participate in the City's health, dental, life, long term disability, and accidental death insurance program.

Currently, both the City and the District provide similar insurance coverages. The principal differences rest in the total cost of the respective insurance programs and the amount each agency is contributing towards that cost.

- The District currently provides health, dental, life, accidental death, and long term disability coverage to its employees. The total monthly cost of these insurances is \$60.67 for a single employee and \$133.37 for an employee plus family. Of these amounts, the District pays \$60.67 for a single employee, and \$106.25 for an employee plus family.
- The City also provides health, dental, life, accidental death, and long term disability coverage to its employees. The total average monthly cost of these insurances is \$53.72 for a single employee and \$78.44 for an employee plus family. The maximum amount the City pays toward these coverages is \$53.72 with the exception that they pay the entire \$78.44 for management employees.

In summary, the maximum contribution for an employee of the District is \$27.12, while the maximum contribution for an employee of the City is \$24.72. Overall, the differences in insurance costs would result in an annual savings of \$8,331.84 if the 38 District employees transferred to the City. This amount assumes, based on a review of District personnel records, that 16 employees would receive single employee coverage, and 22 employees would receive family coverage. Under the District contribution rates, this coverage would cost \$37,246.63 per year. Under the City contribution rates this coverage would cost \$26,054.40 per year resulting in an annual savings of \$8,331.84

. Transferred District Employees Would be Covered by the City's Uniform Policy

All District employees transferred to the City would be subject to City's uniform policy. This change would result in an annual savings of \$4,156.16, as follows:

- District clerical employees would no longer receive a uniform allowance of \$170 per year resulting in an annual savings of \$850.
- The District's 22 field employees currently receive 5 clean uniforms a week at a cost of \$4.90 per employee, or \$5,605.60 per year. City field employees receive 3 clean uniforms a week at a cost of \$2.01 per employee. The cost of uniforms, under the City uniform policy, for the 22 transferred District employees would be \$2,299.44 a year, an annual savings of \$3,306.16.

. Transferred District Employees Would be Covered Under the City Workers Compensation Self Insurance Program

All the 38 District employees transferred to the City would be covered under the City's self insurance program for workers compensation. The cost of this coverage to the City for the 38 employees would be about \$3,900 a year. The cost to the District for those same 38 employees, under the State Workers Compensation Fund, would be about \$16,800 per year. This amount is based on the State's 1976 rates and the District's current experience modification factor. The above would result in a savings of \$12,900 a year.

. Certain Consulting Services Would be Eliminated

The District currently retains a variety of consultants at an annual cost of \$120,100. If the City were to provide water service, most of these consulting arrangements would be terminated, with the exception of engineering and legal assistance, resulting in a savings of \$44,350. The consulting services that would be eliminated are as follow:

- Accounting - \$24,000

As indicated previously, all the duties currently performed by the District's outside Certified Public Accountant would be performed by the City's Finance Department.

- Management - \$6,000

This amount covers the expense of hiring an outside consultant to represent the District during salary negotiations with its employees. The City Personnel Director would assume this responsibility with advice from the City's consultant. It should be noted that the same consultant assists both the City and the District.

- Special Projects Consultant - \$21,500

The responsibilities of this consultant would be assumed by the Water Director and other members of City staff. It should be pointed out that the elimination of this contract would only result in a savings of \$10,750 the first year. The consultant's agreement requires the District to pay off half the contract if his services are terminated by the District.

- Legislative Advocate - \$3,600

This amount covers the services of the District's lobbyist in Sacramento. These responsibilities would be assumed by City staff and the City's lobbyist.

One-Time Costs Associated With the City's Assumption of Water Service Would be About \$22,000

The assumption of water service by the City would result in a number of one-time costs, including:

. Election

If it is assumed that an election is required, the cost would be around \$9,000 according to the County Registrar of Voters.

. Retirement

If it is assumed that the District employees would receive credit for their prior District service toward the City's retirement plan, there is a possibility that the cost of that prior service may exceed the assets of the District plan. If that's the case, then the difference would represent a one-time cost. It is not possible, however, to determine that cost until the value of the District's retirement plan assets has been established.

. Accounting

It would be necessary for the City's accountancy firm to review the District's accounting records and merge them with the City's. The cost of this service should not exceed \$5,000.

. Legal Fees

Legal fees resulting from the creation of a subsidiary district or dissolution fall into two categories. The first would be those incidental to processing the subsidiary district or dissolution action pursuant to state law. These expenses should not exceed \$5,000. The second category of legal fees would be those resulting from possible negotiations and litigation between the City and the District. These expenses would only occur if disputes develop between the City and District, requiring legal services. Consequently, it is not possible to forecast what these costs might be.

- . Data Processing

As indicated previously, the conversion of the District's manual customer billing system to an automated system would cost about \$3,000.

- . Staff Time

In addition to direct costs indicated above, the staffs of both the City and District would be required to divert a portion of their time to activities associated with a change of organization.

There are Significant Fiscal Implications Associated with the City's Assumption of Responsibility for Water Service

There are a number of significant fiscal implications associated with the City's assumption of water service.

- . Operating Costs Would be Reduced by \$212,049

The City's assumption of water service would result in a net annual savings of \$212,049, as follows:

- Savings

.. District Board	\$ 27,964
.. Community Relations	24,741
.. Finance	87,937
.. Field Operations	17,473
.. Group Insurances	8,332
.. Uniforms	4,156
.. Workers Compensation Insurance	12,900
.. Consulting Services	<u>44,350</u>
	\$227,853

- Costs

.. Data Processing	12,804
.. Audit	<u>3,000</u>
	\$ 15,804

- One-Time Costs Would be About \$22,000

One-time costs would amount to \$22,000, as follows:

- Election	\$ 9,000
- Accounting	5,000
- Legal Fees	5,000
- Data Processing	<u>3,000</u>
	\$22,000

- The City's Accounting System Would Maintain Separate Records for Water Service

As indicated previously, the City would establish a separate self-balancing water fund. There would be no co-mingling of water fund revenues, expenditures, assets, liabilities, or reserves with other City funds.

The City's Assumption of Water Service Would Provide An Opportunity for a Number of Policy and Management Improvements

In addition to the cost savings discussed above, the City's assumption of water service would provide an opportunity for a number of policy and management improvements. The most important of these are discussed below:

- Water Decisions Would be Made in Light of Other Policy Decisions

The City Council would be making water decisions in the context of overall community policy. This should insure that water decisions are consistent with overall community needs, especially with respect to community development and fire protection.

- Community Development Process Would Include Water Considerations

It goes without saying, that water policy decisions are crucial to the City's overall community development process. If water service were a City responsibility, there would be an improved opportunity for insuring that water-related considerations would be included in all community development decisions. This would be particularly important with respect to the following:

- Physical Planning

Water system capabilities and needs would be included in the overall long range physical planning process that establishes the community's physical development goals.

- Community Development and Redevelopment

Any decision to develop or redevelop a portion of the City must take into consideration water system improvements. For example, if a redevelopment plan proposes the replacement of single family housing with a commercial development, then substantial improvements would probably need to be made in the water distribution system.

- Financing

It is important that any decision to finance a capital improvement project include water considerations. This is not only important with respect to identifying water-related costs, but also in insuring that all possible financing alternatives are considered. For example, a distribution line improvement within a redevelopment project could be financed a number of ways including the use of Community Development Act money, tax increment bonds or notes, tax increment revenue, or water revenue.

. There Would be an Improved Opportunity for Coordination of Fire Protection Decisions with Water Decisions

One of the City's principal responsibilities is the provision of adequate fire protection to the community. The adequacy of the community's fire defenses can be measured in terms of its water supply; Fire Department facilities, staffing and equipment; fire communications; and fire safety control considerations including special community hazards, building laws, and fire prevention activities.

A key step in assuring adequate fire defenses is the identification and correction of deficiencies. Generally speaking, this responsibility rests with the City Fire Department. It is the Fire Department's responsibility to identify the community's fire protection needs and to suggest the most cost effective way to correct them. These deficiencies are identified in a variety of ways, including:

- Studies by the Fire Department and City staff of local fire protection needs, capabilities, and priorities.
- A review of the most recent "Insurance Services Office (ISO)" rating of the City's fire defenses. While the purpose of the rating is to serve as one ingredient in setting insurance rates, it is also useful, in combination

with City studies, in identifying the community fire protection deficiencies. It should be stressed, however, that the ISO rating is not intended to serve as a primary planning guide for local fire protection.

After the fire protection needs have been identified, then priorities must be established that are within the financial capabilities of the community. It is in this regard that careful coordination is required. For example, the community may have deficiencies in water supply and Fire Department staffing and apparatus. It may require a one-time expenditure of \$50,000 to correct the water supply deficiencies, while an additional fire engine and staffing may require an initial investment of \$100,000 and a continuing expenditure of \$250,000 a year. It is clear that the above represents a major policy choice for the community.

Currently, this decision would be split between the City Council and the District's Board of Directors. The City Council would have authority to make a decision with respect to Fire Department staffing and equipment, while the District would have the authority to make a decision with respect to water supply. If water service were assumed by the City, the City Council would be able to assess the community's ability to finance the improvements and decide which one offered the best benefit for the dollar. For example, a \$50,000 expenditure for water supply improvements may be more cost effective than the initial investment in additional fire apparatus and the continuing expense of manning the apparatus.

. The Water Service Would Benefit from Support Capabilities Possessed by the City

In addition to the items discussed above, the water service would benefit from a variety of support services possessed by the City that are not possessed by the District.

- Public Services Department

The Public Services Department could provide a number of important support services, as follows:

- .. Streets division could assume responsibility for the street patching work currently performed by the District.
- .. Corporation Yard section could provide an improved vehicle and equipment maintenance capability.

Currently, the District is authorized one Equipment Mechanic II.

- .. The Public Services Department maintenance crews can provide back-up assistance. For example, if there were a major leak or construction project, street maintenance crews could provide assistance to the water crews.

- Finance Department

The Finance Department can provide a number of financial services, including:

- .. Ready availability of financial advice.
- .. Centralized purchasing.
- .. Centralized cash management and investment program.
- .. Technical assistance with respect to budget preparation and administration.

- Data Processing Division

In addition to an automated customer billing system, the Data Processing Division can provide a wide range of systems design, programming, and processing services.

- Personnel Department

In addition to the standard set of personnel services described previously, there would be other benefits available, including:

- .. An opportunity to participate in federal manpower programs such as the Comprehensive Employment and Training Act (CETA).
- .. Self-insurance programs for workers compensation and health insurance.
- .. Improved career and training opportunities for transferred District employees.

Analysis of Alternative III

This alternative assumes that the District would continue to be responsible for the delivery of water service, but would contract with the City for all or some of its services. Under this alternative, the District Board of Directors would continue in existence and would make all decisions with respect to District policy. The implications of this alternative in terms of organization and staffing, administrative support services, cost, and overall policy and management considerations would depend on the extent to which the District decided to contract with the City. For example, if the District contracted with the City for all services, then the implications would be similar to those outlined under Alternative II. If, on the other hand, the District chose only to contract for a few services, then the impact would be similar to Alternative I.

With the above in mind, the following will:

- . Identify the advantages and disadvantages of the District's contracting for all services as compared to Alternative II.
- . Identify those District services that offer the best opportunity for a limited contract arrangement with the City.

Contracting With the City for All Services Would Deliver Many of the Benefits of Alternative II

If the District were to contract with the City for all its services, many of the cost savings and management improvements identified in Alternative II would be available to the community.

- . There Would be a Reduction in Operating Costs of \$156,485

All the operating cost savings identified for Alternative II would be available with the exception of:

- \$27,964 for the District Board's expenses
- \$ 3,600 for the District lobbyist
- \$24,000 for an outside Certified Public Accountant
\$55,564

- . One-time Costs Associated With Contracting Would be Less than Alternative II

The one-time costs associated with Alternative II would be about \$22,000. The one-time cost associated with contracting would amount to \$8,000. The \$14,000 savings results from the elimination of \$9,000 in election costs and \$5,000 in legal expenses.

. There Would be a Number of Opportunities for Policy and Management Improvements

The opportunities for policy and management improvements identified in Alternative II would also be available if the District contracted with the City. The principal difference being that the City Council would not have the final say with respect to water system policy. The resolution of disputes between the City Council and the District Board would rely, as it does now, on the ability of the two parties to reach a mutual agreement. To facilitate coordination and cooperation, the District and the City may want to consider the establishment of a joint committee of elected officials and staff to discuss mutual concerns.

Opportunities Also Exist for Contractual Arrangements in Specific Service Areas

If the District and the City decided not to contract for all services, there are opportunities for contractual arrangements in specific service areas. The cost savings associated with these contracts would depend on the number and combination of services included. The more significant opportunities include the following:

. Financial Services

All financial services required by the District, including all accounting, customer billing, and cashiering activities, could be provided by the City's Finance Department. This would be accomplished by integrating the District's financial requirements into the City's existing financial management system. The organization, staffing, and cost implications of this alternative would be similar to those discussed under Alternative II. For example, if it is assumed that the City would provide these services on a cost basis, there would be a potential annual savings of \$75,133. This figure includes the finance savings of \$87,937 identified in Alternative II, less the increased data processing costs of \$12,804. There would be a one-time start-up cost of \$8,000 for accounting and data processing system modifications.

. Communications

The City's Communications Department is currently maintaining the District's radio equipment and, after normal business hours, is receiving calls, monitoring the telemetering equipment, and dispatching District personnel as appropriate. In addition, the City could assume responsibility for all water-related dispatching during normal business hours. This would eliminate the need for the District's current base station and antenna located at the corporation yard. It would also eliminate the District position currently responsible for dispatching, resulting in a potential annual savings of \$17,473.

- Other Services

In addition to those indicated above, there are a number of other opportunities for contractual arrangements between the City and the District, including:

- Personnel services
- Maintenance and repair of vehicles and equipment
- Street patching
- Purchasing and warehousing
- Public information

Chapter V

PERSONNEL CONSIDERATIONS

The assumption of water service by the City would require the majority of the District's employees to be absorbed by the City. This chapter identifies the issues that would need to be resolved to effect a smooth transfer of employees.

The Majority of District Employees Would be Incorporated Into the City Staff

Of the District's 46 authorized positions, 38 would be transferred to the City. The 8 remaining positions would be eliminated. This reduction in positions would present an important responsibility to the City and District to insure to the maximum extent possible that any District employee who wants to continue working would have that opportunity.

Absorption of Existing District Employees Would Require Resolution of Several Salary and Fringe Benefit Issues

While it is beyond the scope of this study to develop detailed recommendations regarding classifications, exact salaries and benefits, it is appropriate to highlight potential problems that might arise in merging employees who are currently working under two separate classification, salary, and fringe benefit plans.

- Prior to the Absorption of the District Employees, the City Would Need to Conduct a Position Classification Review

To insure both internal equity and to provide a basis for setting salaries, the classifications of both the City and District employees should be reviewed and, where appropriate, modified.

- Salaries of Existing District Employees are Generally Comparable to or Higher Than Those of the City

The salaries of the District employees are comparable to or higher than those of City employees. For a comparison of salaries, see Appendix A on page 83. In those cases where a District employee's salary is higher than the top salary for a comparable City position, it would probably be best to freeze the District employee's salary at the higher rate until the City salary catches up.

In addition to the above, two other major issues would need to be resolved in terms of salary administration:

- Placing District employees at the proper step in the City's salary plan. Step assignments should probably be based on the employee's previous placement in the District salary plan.
- Definition of a policy by the City that no District employee be paid a lower base salary than he or she earned with the District.

. Several Key Fringe Benefit Issues Would Need to be Resolved

Overall, the benefits available to District and City employees are comparable. It is assumed that the transferred District employees would receive the same fringe benefits received by City employees. For a comparison of fringe benefits, see Appendix B on pages 84 and 85.

- Careful Arrangements Would Need to be Made to Insure Health Plan Coverage for District Employees

The City would have to insure that all District employees receive health coverage immediately upon transfer to the City without a waiting period.

- An Agreement Covering Liability for Accrued Vacation and Sick Leave of District Employees Would Have to be Negotiated Between the District and the City

The following issues must be resolved in terms of vacation and sick leave policies:

- .. Would District employees being transferred to the City be treated as terminated employees by the District?
- .. Upon termination, would accrued vacation and sick leave balance be paid or transferred to the City?

The most reasonable solution to these problems is simply for the City to accept the liability for the current sick leave and vacation accruals for each employee at the time of transfer and, using the vacation and sick leave accruals as a base, apply City personnel policies for future accruals. The major advantages of this approach involve simplicity of administration and equitable treatment of employees.

- Careful Consideration Would Need to be Given
to the Crediting of the District Employees'
Prior Service to Service With the City

When the District employees are transferred to the City, a decision would have to be made with respect to the employees' prior service with the District. This decision would be particularly important with regard to the City's Longevity and Scholastic Pay Program and vacation accrual rates. There are essentially two alternatives:

- .. The first alternative would provide that, for purposes other than retirement, transferred District employees would be treated as new City employees and would not receive credit for their District service towards City service.
- .. The second alternative would provide that transferred District employees would receive credit for their District service towards City service.

The District and the City Would Have to Carefully Approach the Change in Retirement Plans

The most complex of the personnel issues involved in the transfer of District employees to the City is retirement. The following briefly summarizes the City and District retirement programs and suggests alternatives for incorporating the District employees into the City retirement plan.

. The City Participates in a Private Retirement Plan

The City provides its employees with benefits under a private retirement plan. The City currently contributes 10.83% and the employees 7% of compensation towards the plan. It should be noted that the City is currently investigating the possibility of merging the City's plan with the Orange County Employees Retirement System (OCERS). The City's contribution rate under this plan would be about the same, but the employees' contribution rate would be lower, varying between 1.77% and 5.82%, depending on age and sex.

. The District Participates in Social Security and a Private Retirement Plan

The District provides its employees with Social Security supplemented by a private retirement plan. Under Social Security, both the District and the employee contribute 5.85% of the employee's first \$15,300 of annual compensation. The District also contributes about 5% towards a

supplemental private retirement plan, while the employee's contribution rate averages about 4% depending on age and income.

- District Employees Would Become Members of the City's Retirement Plan Upon Transfer to the City

If the District employees become City employees, they would participate in the City's retirement program. There are essentially two alternatives for accomplishing the termination of the District's existing retirement program and the transfer of the District employees to City retirement program. Both these alternatives are valid, whether the City retains its private plan or merges it with OCERS.

- The District May Terminate its Retirement Plan and the Employees Would Become New Members of the City Plan Upon Transfer to the City

Under the provisions of the District retirement plan, the Board of Directors may terminate the plan at any time and distribute the assets to the employees. Upon transfer to the City, the employee would then join the City plan as a new employee.

- The District Plan May be Merged With the City Plan

Under this alternative, the assets of the District plan would be merged with the City plan. The transferred District employees would receive credit for their District service towards the City plan. For example, an employee with 10 years District service would have 10 years credited towards the City retirement plan. The cost of funding this prior service would be offset by the assets of the District plan. If the assets of the District plan were not adequate to fund the prior service, then the difference would represent a one-time cost associated with the City's assumption of water service.

Appendix A

Comparison of Base Salaries

<u>District</u>			<u>City</u>
General Manager	\$2,292	NC	
Administrative Secretary	966 - 1,174	Department Secretary	\$ 877 - 1,066
Community Relations Officer/Administrative Assistant	1,428 - 1,736	NC	
Director of Personnel	1,359 - 1,652	NC	
Personnel Records Clerk/Secretary	813 - 989	Division Secretary	795 - 967
Associate Civil Engineer	1,264 - 1,536	Engineering Assistant	1,219 - 1,482
Water Quality Inspector	1,145 - 1,391	NC	
Office Mgr./Auditor	1,202 - 1,461	NC	
Accountant	1,066 - 1,296	Accountant	1,133 - 1,378
Accounting Clerk II	813 - 989	Sr. Accounting Clerk	888 - 1,080
Cashier	738 - 898	Intermed. Clerk/Typist	696 - 846
Accounting Clerk	738 - 898	Accounting Clerk	767 - 935
Clerk Typist	654 - 795	Clerk/Typist	654 - 767
Customer Service Supervisor	1,326 - 1,612	NC	
Meter Reader	813 - 989	NC	
Superintendent	1,653 - 2,010	Superintendent	1,482 - 1,802
Construction Inspector	1,264 - 1,536	Construction Inspector	1,147 - 1,394
System Supervisor II	1,232 - 1,498	NC	
Systems Operator I	1,118 - 1,360	NC	
Equipment Mechanic II	1,174 - 1,428	Equipment Mechanic II	1,003 - 1,219
Field Services Clerk	1,066 - 1,296	NC	
Corporation Yard Foreman	1,066 - 1,296	Storekeeper	921 - 1,119
Assistant Superintendent	1,359 - 1,652	Sr. Maint. Supervisor	1,161 - 1,412
Water Supervisor II	1,202 - 1,461	Maintenance Supervisor	1,107 - 1,345
Water Supervisor I	1,091 - 1,326	Lead Maint. Worker	979 - 1,190
Maintenance Leadworker	966 - 1,174	NC	
Equipment Operator II	966 - 1,174	Sr. Maint. Worker/ Equipment Operator	935 - 1,133
Equipment Operator I	876 - 1,065	Sr. Maint. Worker/ Equipment Operator	935 - 1,133
Maintenance Worker II	846 - 1,028	Maintenance Worker	846 - 1,028
Maintenance Worker I	775 - 943	Maintenance Assistant	767 - 935

Appendix B

Comparison of Fringe Benefits

	<u>City of Costa Mesa</u>	<u>Costa Mesa County Water District</u>																																																			
Work Hours	40	40																																																			
Sick Leave																																																					
Hours earned per year	96	96																																																			
Accumulation	720	720																																																			
Pay-off	33 1/3% pay or vacation for hours in excess of 720	33 1/3% pay for hours in excess of 720																																																			
Vacation																																																					
Hours earned:																																																					
- 1 year	92	88																																																			
- 3 years	116	112																																																			
- 5 years	140	136																																																			
- 10 years	164	160																																																			
- 15 years	188	184																																																			
Holidays	11 days	11 days plus 4 hours off at employee's request																																																			
Bereavement Leave	Yes. Up to 40 hours which is charged against sick leave	Up to 80 hours with the approval of the General Manager																																																			
Longevity and Education Pay	Combination Longevity and Scholastic Achievement Program. Available to non-management employees only:	No																																																			
	<table border="1"> <thead> <tr> <th>Degree or Units of Credit</th><th>Number of Years Service</th><th>Amount per Month</th></tr> </thead> <tbody> <tr> <td>MA, MS</td><td align="center">4</td><td align="right">\$75</td></tr> <tr> <td>BA, BS</td><td align="center">5</td><td align="right">70</td></tr> <tr> <td>90</td><td align="center">6</td><td align="right">65</td></tr> <tr> <td>AA</td><td align="center">8</td><td align="right">60</td></tr> <tr> <td>None</td><td align="center">20</td><td align="right">60</td></tr> <tr> <td> </td><td> </td><td> </td></tr> <tr> <td>BA, BS</td><td align="center">3</td><td align="right">55</td></tr> <tr> <td>AA</td><td align="center">4</td><td align="right">50</td></tr> <tr> <td>50</td><td align="center">6</td><td align="right">45</td></tr> <tr> <td>40</td><td align="center">8</td><td align="right">40</td></tr> <tr> <td>None</td><td align="center">15</td><td align="right">40</td></tr> <tr> <td> </td><td> </td><td> </td></tr> <tr> <td>30</td><td align="center">6</td><td align="right">35</td></tr> <tr> <td>20</td><td align="center">8</td><td align="right">30</td></tr> <tr> <td>10</td><td align="center">10</td><td align="right">25</td></tr> <tr> <td>None</td><td align="center">10</td><td align="right">20</td></tr> </tbody> </table>	Degree or Units of Credit	Number of Years Service	Amount per Month	MA, MS	4	\$75	BA, BS	5	70	90	6	65	AA	8	60	None	20	60				BA, BS	3	55	AA	4	50	50	6	45	40	8	40	None	15	40				30	6	35	20	8	30	10	10	25	None	10	20	
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30	6	35																																																			
20	8	30																																																			
10	10	25																																																			
None	10	20																																																			
Tuition Reimbursement	100% for tuition, registration and books	100% for tuition, registration and books																																																			
Uniform Policy																																																					
Maintenance Crews	\$2.01 per week - 3 changes	\$4.90 per week - 5 changes																																																			
Clerical employees	No	\$170 annual allowance																																																			
Social Security																																																					
Employer contribution	No	5.85% of first \$15,300 of salary																																																			
Employee contribution	No	5.85% of first \$15,300 of salary																																																			
Retirement																																																					
Employer contribution	10.85%	5%																																																			
Employee contribution	7%	4%(1)																																																			
Total Social Security and Retirement Contributions																																																					
Maximum employer contribution	10.85%	10.85%																																																			
Maximum employee contribution	7%	9.85%																																																			

YOUTH & ADULT HANDBALL PROGRAM
ANNUAL BUDGET

	<u>City of Costa Mesa</u>		<u>Costa Mesa County Water District</u>	
Medical Insurance	<u>Self-Insurance</u>		<u>Travelers</u>	
	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>
Employee Family		City will pay up to \$40 for medical insurances. This amount covers all costs for a single employee. An employee with a family would have to pay \$6. City pays total cost for management employees.		\$41.01 45.58 \$86.59
Dental Insurance	Yes		Yes	
Employer contribution		Part of total insurance contribution		Part of medical premiums
Employee contribution	Varies		0	0
Life Insurance	Yes		Yes	
Employer contribution	100%		\$7.10	
Employee contribution	0		0	
Accidental Death	Yes		Yes	
Employer contribution	50%		\$0.91	
Employee contribution	50%		0	
Long Term Disability	Yes		Yes	
Employer contribution		Part of total insurance contribution	\$11.65	(2)
Employee contribution	Varies		0	
Total Insurance Contributions				
Maximum employer contribution	\$53.72 (3)		\$106.25	
Maximum employee contribution	\$24.72		\$27.12	

(1) Employee contributions vary based on age and income. The 4% represents an average employee contribution rate.

(2) Long Term Disability costs 1.0183% of base salary per covered employee.
The \$11.65 is an average contribution for a District employee.

(3) This figure represents the average maximum contribution by the City for all insurances.

7700353

U.C. BERKELEY LIBRARIES



C123317244

INSTITUTE OF GOVERNMENTAL STUDIES LIBRARY
109 PHILOSOPHY HALL
UNIVERSITY OF CALIFORNIA
BERKELEY, CA 94720

21.552 10.752
21.552 10.752

Facilities and staff as of 1968. This includes
the Student Training Center, Research and
Information Centers, and the 24-hour
and 24-hour library and office buildings
as well as the 24-hour library and office
research facilities.

247
existing facilities to meet
0

additional facilities to be built
291
1971-1972

247
10.752
0

additional facilities
existing facilities increased
needed capacity required

247
10.752
0
(%) 247
60.112
0

additional facilities to be built
291
1971-1972
existing facilities to be built
291
1971-1972
existing facilities required
existing facilities increased
needed capacity required

25.801 g
25.152

10.752
21.452
21.162

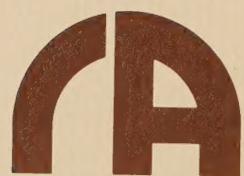
existing facilities to be built
existing facilities increased
needed capacity required

After individual negotiations between the University of California and the State Board of Education, the following agreements were reached:

1. The University will provide the State Board of Education with \$1,000,000 in additional funds for the construction of new facilities.

2. The State Board of Education will provide the University with \$1,000,000 in additional funds for the construction of new facilities.

3. The University will provide the State Board of Education with \$1,000,000 in additional funds for the construction of new facilities.



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